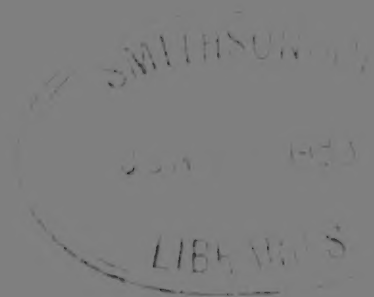


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SMITHSONIAN YEAR • 1982

# *Statement by the Secretary*





*Smithsonian Year • 1982*

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STATEMENT BY THE SECRETARY



SMITHSONIAN YEAR • 1982

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# *Know Thy Neighbor as Thyself*

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STATEMENT BY THE SECRETARY

S. DILLON RIPLEY

*The Smithsonian Institution 1983*



FRONTISPIECE: With the completion of the Smithsonian's Quadrangle project serving our public and Associates alike, a new dimension in America's comprehension of the non-Western world will be opened on the Mall. Exhibitions, performances, seminars, and discussions will enhance America's understanding of this panorama of nations harboring two-thirds of the planet's population. Shown are (*left to right*) a Korean musician, students in a seminar, a Kutiyattam performer from Kerala, India, young visitors being introduced to African life and art, and Smithsonian Associates visiting the Treasury Building in Petra, Jordan.

## *The Smithsonian Institution*

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The Smithsonian Institution was created by act of Congress in 1846 in accordance with the terms of the will of James Smithson of England, who in 1826 bequeathed his property to the United States of America "to found at Washington, under the name of the Smithsonian Institution, an establishment for the increase and diffusion of knowledge among men." After receiving the property and accepting the trust, Congress incorporated the Institution in an "establishment," whose statutory members are the President, the Vice President, the Chief Justice, and the heads of the executive departments, and vested responsibility for administering the trust in the Smithsonian Board of Regents.

### THE ESTABLISHMENT

Ronald Reagan, *President of the United States*

George H. W. Bush, *Vice President of the United States*

Warren E. Burger, *Chief Justice of the United States*

George P. Shultz, *Secretary of State*

Donald Regan, *Secretary of the Treasury*

Caspar W. Weinberger, *Secretary of Defense*

William French Smith, *Attorney General*

James G. Watt, *Secretary of the Interior*

John R. Block, *Secretary of Agriculture*

Malcolm Baldrige, *Secretary of Commerce*

Raymond J. Donovan, *Secretary of Labor*

Richard S. Schweiker, *Secretary of Health and Human Services*

Terrell H. Bell, *Secretary of Education*

Samuel R. Pierce, Jr., *Secretary of Housing and Urban Development*

Andrew L. Lewis, Jr., *Secretary of Transportation*

James B. Edwards, *Secretary of Energy*

## Board of Regents and Secretary • September 30, 1982

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REGENTS OF THE INSTITUTION	Warren E. Burger, <i>Chief Justice of the United States, ex officio, Chancellor</i> George H. W. Bush, <i>Vice President of the United States, ex officio</i> Henry M. Jackson, <i>senator from Washington</i> Barry Goldwater, <i>senator from Arizona</i> Edwin Jacob (Jake) Garn, <i>senator from Utah</i> Silvio O. Conte, <i>representative from Massachusetts</i> Norman Y. Mineta, <i>representative from California</i> Edward P. Boland, <i>representative from Massachusetts</i> David C. Acheson, <i>citizen of the District of Columbia</i> Anne L. Armstrong, <i>citizen of Texas</i> J. Paul Austin, <i>citizen of Georgia</i> William G. Bowen, <i>citizen of New Jersey</i> William A. M. Burden, <i>citizen of New York</i> Murray Gell-Mann, <i>citizen of California</i> Nancy Hanks, <i>citizen of the District of Columbia</i> A. Leon Higginbotham, Jr., <i>citizen of Pennsylvania</i> Carlisle H. Humelsine, <i>citizen of Virginia</i>
EXECUTIVE COMMITTEE	Warren E. Burger, <i>Chancellor</i> David C. Acheson William A. M. Burden Carlisle H. Humelsine ( <i>Chairman</i> )
THE SECRETARY	S. Dillon Ripley  Phillip S. Hughes, <i>Under Secretary</i> Charles Blitzer, <i>Assistant Secretary for History and Art</i> David Challinor, <i>Assistant Secretary for Science</i> Joseph Coudon, <i>Special Assistant to the Secretary</i> Julian T. Euell, <i>Assistant Secretary for Public Service</i> James M. Hobbins, <i>Executive Assistant to the Secretary</i> Christian C. Hohenlohe, <i>Treasurer</i> John F. Jameson, <i>Assistant Secretary for Administration</i> Paul N. Perrot, <i>Assistant Secretary for Museum Programs</i> Peter G. Powers, <i>General Counsel</i> James McK. Symington, <i>Director, Office of Membership and Development</i> Lawrence E. Taylor, <i>Coordinator of Public Information</i>



*Smithsonian Year • 1982*

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STATEMENT BY THE SECRETARY

This cut-away drawing of the Quadrangle (Independence Avenue view), from the architectural firm of Shepley, Bulfinch, Richardson and Abbott, shows some of the space to be provided in three levels for exhibitions, theater productions, and study.



## *Know Thy Neighbor as Thyself*

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S. DILLON RIPLEY

THIS PARAPHRASE OF THE BIBLE saying, "Love Thy Neighbor as Thyself," a true saying, and one to be emulated if in larger affairs it had not a mocking ring, is one that I often think of in connection with the Smithsonian. To know is to learn but also to give a little. If one knows anything it is a scrap of learning. Every scrap should be shared for all bear upon a central theme. The assemblage of knowledge is like a pyramid. Its creation is the very abnegation of self, and in the process we learn to know each other, more sanely, I believe, than love would ever let us do, clouded with the mists of sentiment or tears, as that may be.

Speaking at the dedication of the American Museum of Natural History in New York in 1874, Professor Joseph Henry, first Secretary of the Smithsonian, stated that James Smithson's memorial,



the Institution, should be a work place, a "college of discoverers," a haven for research, "discovering new facts, new phenomena and new principles," and making this information known to all. Knowledge should be spread abroad by museums based on this research. This is the finest memorial of all, for "what, in comparison to this, are local monuments, pyramids of flint, statues of brass or obelisks of marble!"

These two generations past have been the generations of self, on which mountains of egocentrism have been erected, eroding over the years, as always, in the sands of anomie and the washings of self-pity. I went to Persepolis not long ago and walked over the desert into the blue silk and damask tents erected to celebrate two thousand five hundred years of a dynasty that never was. Created with cunning skill by French decorators for the nonevent, the tents still stood, the curtains giving way at one's entrance to the great banquet pavillion; within, a crescent-shaped dias with a crescent table, backed by a row of pale blue velvet tall chairs arranged on one side only, not for conversation but for the admiration of the courtiers and press. No sound broke the spell except for a faint sighing of the wind, which made the gilt candelabra sway slightly in a ghostly reverie. Oh, Ozymandias have you told us nothing?

The accumulation of knowledge must not be a selfish thing, for knowledge and learning go hand in hand, and to learn is to teach. James Smithson in his charge to his heirs—his administrators for the future—said that his Institution should serve for "the increase and diffusion of knowledge among men" (i.e., mankind). One of my colleagues, Wilcomb Washburn, has recently discovered a letter of Smithson's in French, addressed to Baron Georges Cuvier, the most celebrated French savant of his day, written from Germany in 1806, twenty years before Smithson's death, in which he presaged the language of his famous will. A translation might be, "It seems to me, Sir, that the man of genius who through important discoveries expands the scope of the human mind is entitled to something beyond a mere and fruitless admiration [for this we might read "ego trip"]. That he is entitled to expect that all contribute as much as they can to facilitate research so that, if fame is achieved, they can share in the benefits. And it would indeed be unjust that national differences as well as resentment and war should have any bearing in this matter. The works of scientists

being for all nations, they themselves should be looked upon as citizens of mankind."

It seems to me that what Smithsonian is writing is that as scientists or scholars of history or art at the Smithsonian, we are obligated to increase and diffuse knowledge, and in the process sweep away the cobwebs of self-pity, deriving satisfaction not from self-promotion but rather from the rewarding tasks of increasing and diffusing knowledge. We must reach what we know and discover, as best we can, using research as a tool for illumination.

The Smithsonian Institution is embarking on a course which, if successful, will lead to an expansion on an international scale of our motto. For perhaps the first time in our history, we are embarking in a spirit of social responsibility on a creative effort to increase understanding and respect for our neighbors.

One of our mandates, the diffusion of knowledge among men (among mankind) works both ways, within and without. We can, for example, tell Americans about their history, but how can we extend that to tell Americans about the history of the rest of the world, especially about those parts and nations of which we are still so woefully ignorant. Our entire awareness of others has been concentrated until recently on the so-called Western world: Europe—extending east to Russia, south to the Mediterranean—and parts of Latin American, our traditional neighbors. Until World War II, Asia was known to relatively few Americans. Few Americans penetrated beyond Japan and China. The vast worlds of more southern Asia (except for the Philippines), tropical Asia, the southwest Pacific areas (except for Australia), and Africa and the Middle East were essentially little-known and beyond most people's means to visit or experience.

Now this Institution has an opportunity to combine objects, collections such as those in the Freer Gallery of Art, the National Museum of African Art, collections in our kindred departments of Anthropology and History and Art, into our Quadrangle, a new Center for African, Near Eastern, and Asian Cultures, to be built south of the original Smithsonian Castle. This Center will delineate to Americans as well as to the world the necessity to 'know your neighbor,' to respect our fellow inhabitants in this shrinking world, and in the process generate an increased measure of self-respect in ourselves and in our neighbors as well. Traditions and cultures

alien to the massive onslaughts of mechanistic technology are fragile indeed. They are being eroded every day just as the forests of the tropics disappear. Cultures drift away like the dust that follows the draft of a lifting jet plane on a far-away runway. Cultures and traditions represent the only stability, the only defense against the mindlessness of self, and the only model for the cultivation of self-respect.

In the world of this vast region, home to almost two-thirds of the human population, there are now ninety-two nations, where perhaps a dozen reigned before World War II. We in America, still unused to the totality of this change, remember only dimly some of the new names and find little occasion to think of the implications involved, except perhaps to be bothered by reading of the debates in the General Assembly of the United Nations, or to hear of some man-made or natural catastrophe on the other side of the globe. Our Center will help to correct this lack of understanding on our side as well as theirs. We will have a chance to foregather here to discourse, to exhibit their traditions and cultures in a meaningful way, and to demonstrate the long history of invention, intellectual achievement, and civilization, of which those of us on both sides must remind ourselves before it is too late. So we



This elevation drawing by Shepley, Bulfinch, Richardson and Abbott, architects, shows the Quadrangle's pavilions and landscaping, north side.

have embarked upon the creation of this Center in an effort to "put out more flags," to shine the light of understanding between us.

In this effort, approved by the Regents of the Institution, we are pledged to raise \$75 million for construction, half by the Smithsonian itself and its dedicated friends, and half by the federal government. Over the past few years many others have shared this vision and have helped us bring it closer to fruition. To signify the government's commitment to the project, the United States Congress in its 1983 budget has approved legislation authorizing construction of the Quadrangle and has appropriated the federal share of the financing in the amount of \$36.5 million to add to almost \$1 million appropriated the year before.

The Smithsonian's private financing has received a munificent boost in the generosity of Dr. Arthur M. Sackler, a psychiatrist and medical publisher who resides in New York City. He has pledged not only 1,000 works of Asian art, valued well in excess of \$50 million, but also \$4 million towards construction of the Far Eastern gallery within the Quadrangle, which will house his collection as well as those of others and be named in his honor. In making these gifts, Dr. Sackler reflected the synthesis as well as the essence of the Quadrangle in saying that "... in the years to come,



Washington will continue to grow into a world cultural capital, augmenting its status as a world political center."

Support for our Center for African, Near Eastern, and Asian Cultures continues to come in from abroad as well as from other friends of the Institution in many parts of the country. We will celebrate and commemorate their gifts in appropriate ways within the new structure and in the various programs that will flow from it; especially in outreach and public education.

Throughout the past year the existing programs of the Institution, as well as the supporting functions that are crucial to their success in reaching the broad audiences that we serve, have been marked by a continuing high level of public interest and achievement. Steady progress has been made towards completing in 1983 the initial physical inventory of the National Collections entrusted to our care. Not only will we then be able to refine more intelligently our previous estimates of holding some 75 million items, but we will also have more substantial information about the location and condition of all these objects, thus enabling us to manage and conserve them for generations yet to come.

Another significant element in the care and conservation of collections is the Museum Support Center, the facility in nearby Suitland, Maryland, currently under construction. We expect to take possession of the building within budget and on schedule in this winter of 1983. To the partnership, Metcalf/KCF and to the chief architect of the project, Coke Florance, we offer our appreciation for so thoughtfully resolving the problems of space for collections storage and research, along with conservation training, in a massive edifice that, nonetheless, provides a comfortable working environment in harmony with its natural surroundings.

In the area of collections acquisition, gifts and purchases have enabled us to extend modestly the evidence of our cultural heritage and of the physical world inhabited by us and by those who have gone before us. The National Museum of African Art has acquired two early and important Benin bronzes, while the National Portrait Gallery, in association with the Thomas Jefferson Memorial Foundation at Charlottesville, Virginia, has purchased Gilbert Stuart's "Edgehill" portrait of Thomas Jefferson painted in 1805. Following the pattern established in the joint purchase of the Stuart portraits of George and Martha Washington, the portrait, named for the





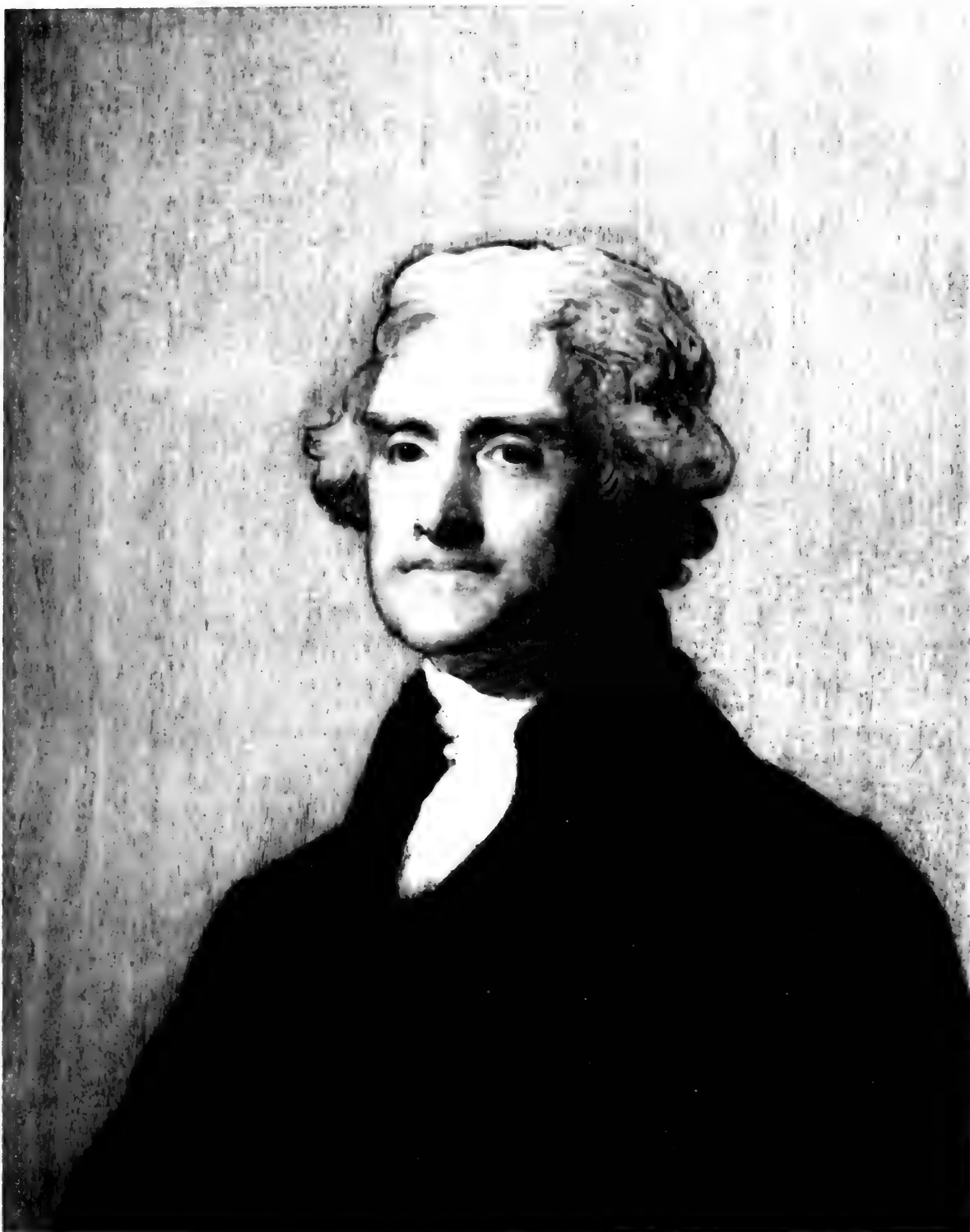
Smithsonian Associates search for wildlife at Corbett National Park, India.

plantation of Jefferson's grandson where it hung for many years, will be exhibited for alternating three-year periods at the Portrait Gallery and at Monticello.

The lives of two other presidents were the focus of major winter exhibitions and related activities. To commemorate the one-hundredth anniversary of the birth of Franklin Roosevelt on January 30, 1882, a number of events took place in several Smithsonian museums. Early January saw the opening of the exhibition *Roosevelt's America: New Deal Art from the National Museum of American Art*. Shortly thereafter a small exhibition, *FDR: The Early Years*, chronicling his early life and entrance into the political arena, opened at the National Portrait Gallery. Our friend, the distinguished journalist Joseph Alsop, a cousin of the late president, presented a lecture, "FDR: The Great Change," in conjunction with the exhibition. At the end of January the National Museum of American History presented *Franklin Delano Roosevelt: The Intimate Presidency*, which included the White House desk and microphones from which he delivered his famous "fireside chats," his 1938 Ford with special hand controls, and a wide range of photographs of FDR and of the nation during his presidency, giving an especial quality of verisimilitude to the event.

On February 22 a gala birthday party at the National Museum of American History, followed by fireworks on the Mall, marked the two-hundredth-fiftieth anniversary of Washington's birth and the opening of a major exhibition, *George Washington: A Figure Upon the Stage*. The exhibit surveys the many ways in which Americans of the eighteenth and nineteenth centuries have idolized and indeed utilized Washington and the aura of his name. Also, perhaps this exhibition helps to humanize "G.W.," showing sides of his character and his ambitions, usually clouded in the atmosphere of the almost imperial tradition. Smithsonian historian Margaret Klapthor, curator of the exhibition, points out that "the image and character of Washington have taken various forms," with each era favoring an appearance related to its own values. The National Portrait Gallery mounted a related exhibition of prints depicting George Washington and showing the variety of ways in which the Founding Father was perceived by his contemporaries.

Irish songs and fancy footwork marked the March 17 opening of *Celebration: A World of Art and Ritual*, which examines the



Gilbert Stuart's "Edgehill" portrait of Thomas Jefferson, painted in 1805, is now jointly owned by the National Portrait Gallery and the Thomas Jefferson Memorial Foundation, Incorporated, Charlottesville, Virginia. The painting will be exhibited for alternating three-year periods at the NPG and at Monticello.



Richard Fiske (left), NMNH director, participates in an Eskimo dance at a Contributing Membership reception following a review of the major exhibition *inua: spirit world of the bering sea eskimo*. Below. Paul E. Garber, NASM historian emeritus, shows seventh and eighth graders how to build a kite from scratch as part of the "D.C. Day" festivities held at the museum.



universal phenomenon of celebration and demonstrates how different people mark the important events and cycles in their societies. The exhibition includes approximately 600 objects—95 percent of which have never before been exhibited—from more than 60 cultures and the collections of 9 Smithsonian museums. A related exhibition was presented later in the year at the National Museum of African Art: *Life . . . Afterlife: African Funerary Sculpture*, which examines the cycle of birth, death, rebirth, and afterlife experienced by many African cultures. Other notable exhibitions included two companion shows at the Hirshhorn Museum and Sculpture Garden—*Raphael Soyer: 65 Years of Printmaking* and *Soyer Since 1960*—honoring the very substantial output of this talented artist and contributor to the museum's collections. The Hirshhorn was also host to the *De Stijl: 1917–1931, Visions of Utopia* exhibition, illuminating the art, architecture, and design of the influential Dutch movement that was characterized by elementary, geometric forms and pure, primary colors. The exhibition was one of several international events marking the two-hundredth anniversary of the establishment of formal diplomatic relations between the United States and The Netherlands, the longest peaceful relationship the United States has had with any foreign power.

Further reflecting significant international influences in art and design, the Cooper-Hewitt Museum opened in September a retrospective view of the history of Scandinavian design during the last 100 years, which included furniture, glass, ceramics, metal work, and textiles as part of a national celebration of "Scandinavia Today."

A selection from the Meserve Collection of the original glass plate negatives of Mathew Brady's portrait photographs were exhibited for the first time in May at the National Portrait Gallery in a specially designed room, evocative of the mid-nineteenth century. This unique collection of immense historical importance also includes the only print ever made from the last photograph of President Lincoln. Perhaps the most haunting likeness of Lincoln, it was taken on April 10, 1865, in a studio four blocks south of the Portrait Gallery building just four days before his assassination.

During the past year our colleagues in the physical and natural sciences also have made lively and important contributions in exhibitions as well as in research. Of the former, perhaps the most

extraordinary was *inua: spirit world of the bering sea eskimo*, which opened in June in the Evans Gallery of the National Museum of Natural History. Featuring for the first time nearly 500 objects collected for the Smithsonian more than 100 years ago by the naturalist and surveyor Edward Nelson, the exhibition recreates the world of the Bering Sea Eskimo and traces the roots of Eskimo cultural and artistic traditions. Many objects in the exhibition were associated with elaborate myths and decorated with dual animal and human images, reflecting the belief of the Eskimos that everything had an *inua*, a human-like essence or spirit that was revealed to people in dreams, visions, or when encountering animals. Also at the National Museum of Natural History, the ever-popular Dinosaur Hall was reopened after a hiatus of several years during which it has been renovated and the paleontological exhibits enlarged and current theories of evolution presented.

Dr. Terry Erwin, a curator in the museum's Department of Entomology, continued his studies of the tropical rain forest canopy and of the insect life abiding there. This research reveals that the number of insect species worldwide may be substantially larger than previously suspected, and that tropical deforestation, therefore, will inevitably destroy far larger numbers of species than had been anticipated or supposed.

The world's tropical rain forests are home to half of the earth's plant and animal species, and thus are areas of immense priority to numbers of Smithsonian scientists. During a symposium on the ecology and management of the tropical rain forest, which was held at the University of Leeds in England last spring, Dr. Ira Rubinoff, director of our Tropical Research Institute in Panama, proposed the establishment of a system of Tropical Moist Forest Reserves in the temperate zones, financed by the developed nations in order to save this crucial international resource.

Dr. David Roubik, an entomologist at the Institute and an expert on the African honeybee let loose on an unsuspecting New World in Brazil in 1957, has been working closely with Panamanian authorities on ways of adapting to these notoriously aggressive bees, which arrived in the Republic from the south late last winter. He is sharing his information with Central American governments as well, for this is a matter of concern as the species spreads northwards.



Another study on the effects of forest habitat destruction was conducted by Dr. James Lynch of the Chesapeake Bay Center for Environmental Studies, whose work was an investigation of the size and stability of bird populations in Maryland. Dr. Lynch has begun work with other Smithsonian scientists on a similar study in the Yucatan Peninsula in Mexico, part of the winter migration route for a fifth of our North American bird species.

At the National Zoological Park's Conservation and Research Center in Front Royal, Virginia, studies on the behavioral ecology and population dynamics of wildlife from around the world are underway. This work is being used as a means of training scientists from India and Europe in the use of sophisticated techniques for studying endangered animals in their own countries and elsewhere in the world.

The reptile and amphibian house of the Zoo's Rock Creek location has been renovated and reopened to the public. The refurbished structure proves to be much more effective than the former house for studying these exotic animals and encouraging breeding and survival rates in captivity. For the second consecutive year the Zoo received the highest award from the American Association of Zoological Parks and Aquariums for captive propagation programs.

The National Air and Space Museum commemorated twenty-five years of space exploration with an exhibition and a conference of that name, both of which seek to place accomplishments of the space age in a social, cultural, and political context. The Museum's Garber Facility, for the restoration and preservation of aircraft, celebrated its fifth anniversary with a week-long series of events for the general public.

The observatory atop Mount Hopkins in Arizona was renamed for our colleague Fred Lawrence Whipple, and dedicated in his honor last May. Fred Whipple was the first director of the Smithsonian Astrophysical Observatory when it moved to Cambridge, and was a primary developer of the concept of the MMT. The newly renovated gamma ray reflector—the largest in the world—has resumed operation at the Whipple Observatory and will enable astronomers to probe high energy events in the far reaches of the universe.

In an effort to understand other aspects of universality and fundamental processes, the Smithsonian sponsored an international

symposium on "How Humans Adapt: A Biocultural Odyssey." A diverse group of scholars met to debate what may be one of the most critical questions of our time: has *Homo sapiens*, having come this far in his several million years, learned anything at all that can help him survive in the present global village and adapt to the future? The papers from the symposium—the keynote speaker of which was the late René Dubos—will be published by the Smithsonian Institution Press in the winter of 1983.

During the summer, the Festival of American Folklife returned to its original plot on the National Mall among the Smithsonian's museum buildings. The larger and more accessible site accents the strong, complementary relationships between museum collections and the presenters of living traditions. This sixteenth annual festival featured the rich and diverse folk traditions of Korea during the anniversary of a century of diplomatic relations between our two countries, as well as the Diamond Jubilee of the State of Oklahoma. It reflected the traditions that Oklahomans nourish and support, particularly those associated with two major activities—horses and oil—and brought a functioning rig and a quarter-mile race track to the Mall. The festival was also the setting for the awards ceremony for the first annual National Heritage Fellowships, honors given by the National Endowment for the Arts to traditional musicians and craftsmen who have made outstanding contributions to the cultural life of the nation.

As in previous years, we should not let this report slip by without mentioning certain comings and goings of Smithsonian staff. We were terribly saddened this year by the death of John Estes, the experienced director of the International Exchange Service. By the end of the fiscal year we learned that another dear friend and companion, our Assistant Secretary for Public Service, Julian T. Euell, who had served in that capacity for nearly a decade, would be accepting the directorship of the Oakland Museum. Still other departures included Noel Hinners, the director of the National Air and Space Museum, who became director of the Goddard Space Center; Robert Angle, director of our National Associates program, who assumed membership responsibilities for the National Trust for Historic Preservation; and both David Estabrook, director of Elementary and Secondary Education, and Richard Griesel, our





Quarter horses from Oklahoma race down the National Mall at the Sixteenth Annual Festival of American Folklife held in the summer 1982.

business manager, who have left for the vineyards of private industry. We have been fortunate to be able to promote Jacqueline Austin to the helm of the National Associates, Ann Bay to the head of Elementary and Secondary Education, and Joe Chmelik to business manager.

At the same time we should note two nearly simultaneous arrivals at the old Patent Office Building. Alan Fern, formerly of the Library of Congress, has been named director of the National Portrait Gallery, and Charles Eldredge, the former director of the Spencer Museum of Art in Lawrence, Kansas, has assumed the directorship of the National Museum of American Art. I am confident these two innovative and sensitive scholars will lead their programs in imaginative ways and in the spirit of partnership.

If the pursuit of knowledge is the aim of this Institution, then we can look forward to an enlarging era in the programs planned for the future of our new Center described in the opening of this statement. Americans long to be friends with all the world. We are frustrated by those who fail to understand that we hope that our civilization, our history of democracy and freedom is a real one, in spite of the ups and downs of our progress. If James Smithson had a vision—that somewhere across the ocean from the Europe of stratified hierarchies and iron-bound convention of the eighteenth century, this new world could achieve such an ideal—we could hardly deny that that vision was prophetic. It is in the fulfillment of that ambition of our precursor that we must proceed.

There is a time in the world for the realization of these ambitions. The eagle on the Great Seal may have arrows or thunderbolts clutched in one set of claws, but there is an olive branch in the other. Justice and equality demand that America be strong and competent in the role of peace-keeper, but peace itself demands understanding, friendship, and mutual self-respect, hand in hand with certainty. Respect above all for cultures and traditions across the face of that great arc of the world stretching from Atlantic to Pacific, from Africa to East Asia, should insure that we can “know our neighbors as ourselves,” and in this knowing, learn to respect and live with new friends for the future. For indeed there is no other choice.

## *The Board of Regents*

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THE BOARD OF REGENTS held three formal meetings during the last year. Additional meetings of the Regents' Executive Committee, the Audit and Review Committee, the Personnel Committee, and the Investment Policy Committee were held throughout the year and reported at the Regents' meetings.

The first meeting of the Board of Regents was held on January 25, 1982, in the Regents' Room of the Smithsonian Castle and was called to order by the Chancellor. The Executive Committee reported that it met on January 5, 1982, to discuss the Regents' agenda and took special note of the Audit and Review Committee's close attention to Smithsonian business, the Secretary's and staff's strengthened measures regarding museum protection, and plans to cope with ever-tightening budget stringencies. The Audit and Review Committee reported on two of its meetings, one held jointly with the Personnel Committee on October 14, 1981, and the other held on December 2, 1981. The committee proposed a resolution to indemnify Smithsonian Regents, officers, and employees for liabilities and expenses incurred as a result of litigation arising from service for the Institution, and the resolution was incorporated by reference into a new Bylaw of the Board of Regents, Section 2.09, entitled INDEMNIFICATION. The Audit and Review Committee also reviewed possible insurance to cover the indemnification and, accordingly, the Regents directed the Treasurer to secure appropriate "Directors and Officers" insurance.

The Audit and Review Committee decided that the thorough auditing conducted annually on the Smithsonian's trust funds should be extended to an annual audit of the federally appropriated funds by the Institution's independent auditors, Coopers and Lybrand. In view of the fundamental importance of this matter the Regents expressly endorsed the committee's action. Other committee reviews included:

Coopers and Lybrand's audit of fiscal year 1981 trust funds; Smithsonian procedures for reporting financial interests; draft

standards of conduct; museum security; Smithsonian procedures for construction and repair services; and computer services.

The Personnel Committee of the Regents reported that it had reviewed the financial-interests statements of the Secretary's top assistants and that it found no conflict of interest whatsoever.

The Treasurer informed the Regents that a self-assessment review has recently been conducted at the Institution to identify lower priority programs that might be reduced or eliminated, and alternative modes of operation that might create savings of dollars or workyears. After extensive discussion, the Regents agreed that in view of the existing security and financial constraints the Institution should eliminate summer evening hours on a trial basis, subject, if necessary, to further review by the Audit and Review Committee.

It was noted that final congressional action resulted in fiscal year 1982 federal appropriations totaling \$142,534,000, some 9 percent below the amount requested. That appropriation included \$960,000 for Quadrangle planning—the first federal appropriation for this project. The Treasurer also reported that the Office of Management and Budget (OMB) allowance for all appropriations for fiscal year 1983 was \$192,610,000, reflecting increases for Museum Support Center equipment, critical security and maintenance, and inflation in pay, utilities, and rent. In addition, OMB allowed the Institution's full request (\$36.5 million) for Quadrangle construction, but did not allow the Institution's request for an additional 99 positions to open and operate the Museum Support Center and 48 other positions to strengthen security.

The Investment Policy Committee reported that they met on November 17, 1981, to review the performance of the Institution's three investment managers and to discuss strategies for the future. It was noted that the managers continue to out-perform market averages and that the annualized return from each of the managers for the last three and one-half years was about 16 percent per year.

The Secretary outlined the *Five-Year Prospectus, FY 1983–1987* and stressed his commitment to include projections beyond the five-year period where appropriate. Priorities of the Institution were the equipment for the Museum Support Center, the completion of the Quadrangle, the enhancement of collections management activities, security, and automation. The Regents approved

the *Prospectus* as submitted, in anticipation that annual revisions will similarly be presented for approval.

The Secretary briefed the Regents on the status of the Quadrangle project, introducing Mr. George Brakeley of Brakeley, John Price Jones, Inc., the fund-raising consultants. The total income from unrestricted trust funds, gifts, pledges, and interest amounted to \$14,017,600 as of November 30, 1981. The Regents discussed the strategies for raising the balance of the \$37,500,000 from domestic and foreign foundations, corporations, individuals, and foreign governments. During the fall the Quadrangle design was approved by both the National Capital Planning Commission and the Commission on Fine Arts.

The Museum Support Center was reported to be 45 percent complete and about two months ahead of the January 1983 completion date. In a report on the status of the collections inventory, it was noted that the target date for completion of the baseline inventories remains June 1983, after which the inventories will be a continuing process and priority.

The Secretary presented a report on the equal opportunity program, noting only marginal improvement in increasing the representation of women and minorities, particularly in the higher grades. Recognizing that commendable efforts have already been made and without being critical, the Regents urged the administration to redouble its efforts and explore all possible strategies. Subsequent to the meeting the Audit and Review Committee agreed to review the subject in the spring.

In other actions, the Board of Regents effected an amendment to the bylaws of the National Portrait Gallery Commission, reappointed Mrs. Elizabeth Brooke Blake, Mr. David Lloyd Kreeger, and Mrs. Margaret McKee to the National Museum of American Art Commission, and paid tribute to the late Dr. Robert Elliot Silberglid, an entomologist at the Smithsonian Tropical Research Institute, who died in a plane crash on January 13, 1982.

The Chancellor announced that Mr. Webb had resigned as chairman of the Executive Committee. Accepting that resignation with great reluctance, the Chancellor assured the Regents that Mr. Webb would remain on the Executive Committee for the duration of his term. With the consent of the Regents, the Chancellor appointed Mr. Humelsine as chairman, effective January 25, 1982.

The traditional Regents' Dinner was held on Sunday evening, January 24, 1982, in the Thomas M. Evans Gallery of the National Museum of Natural History/Museum of Man, where the exhibition *Deep Ocean Photography* provided a dramatic setting. The Secretary addressed the guests about his and Mrs. Ripley's faunistic and floristic survey of the Namdapha Region in Arunachal Pradesh, India.

The spring meeting of the Board of Regents was called to order by the Chancellor on May 3, 1982, in the Regents' Room. The Executive Committee reported that it met on April 14 to consider the proposed agenda for the Regents' meeting. The committee noted that the decision to restrict summer evening hours was widely announced and received little criticism. At the suggestion of the committee, the Regents voted to confer on James E. Webb the title of Regent Emeritus upon the expiration of his term on June 21 and to elect David C. Acheson to membership on the committee effective June 22, 1982. After considering a large number of suggested nominees, and the recommendation of the Executive Committee, the Regents voted to request that the Congressional Regents introduce and support legislation to appoint Nancy Hanks as a citizen Regent of the Smithsonian, for the statutory term of six years.

It was noted that, in response to a poll conducted through the mails in April, the Regents voted to establish the James E. Webb Fellowships for the promotion of excellence in the management of cultural and scientific not-for-profit institutions. The Regents observed that this was a particularly appropriate honor for Mr. Webb and that this program in public administration will be of great benefit to the Institution.

The Audit and Review Committee reported that they met on March 23, 1982. At that meeting the independent auditors, Coopers and Lybrand, highlighted their December 31, 1981, Report to Management and introduced their consolidated audit plan for fiscal year 1982. Mr. Acheson reported that on March 13 the committee visited the Cooper-Hewitt Museum in New York City. Mr. Hughes had informed the Committee about a current, as yet incomplete, internal audit of the gem collection in the National Museum of Natural History/Museum of Man.

The Audit and Review Committee noted that the indemnification resolution and bylaw adopted by the Regents on January 25,

1982, had, through inadvertence, not included coverage for Regents Emeritus and members of Regents' committees and advisory bodies. To effect this coverage—and to clarify the intent of the resolution that Smithsonian employees and officers will be indemnified for liability arising out of service on boards of other organizations when that service is part of official Smithsonian duties—the Regents voted to amend the resolution and bylaws, Section 2.09.

The Treasurer informed the Regents that the Institution was allowed to submit to Congress a supplemental appropriation request of \$2.3 million to cover one-half of fiscal year 1982 pay-raise costs. This amount, together with cost-reduction actions taken as a result of the self-assessment review, will permit the Institution to continue operations with a minimum of disruption to essential activities. Revised projections for Unrestricted General Trust Funds still anticipated a break-even budget, with increased net gains expected from the *Smithsonian* magazine being offset by lower returns in other auxiliary activities and increased administrative expenses.

The performance of the Institution's investment managers was reviewed by the Investment Policy Committee at its meeting on April 28, 1982. Mr. Hohenlohe noted that total Smithsonian endowments continued to outperform the standard market indices. The Board of Regents approved the total return income payout for fiscal year 1983 as recommended.

By invitation six members of the National Board of the Smithsonian Associates joined the meeting of the Board of Regents for the discussion of the Quadrangle. The Secretary highlighted the report circulated in advance, noting progress through the tentative design phase. Accordingly, the architect's drawings, specifications, and construction estimate were submitted to the General Services Administration. A second estimate was also obtained by the Institution. The estimates suggested that some cost savings will be required to meet the \$75 million budget, but these savings will not force any major alterations to the project. The Secretary added that the Smithsonian will not appeal to Congress for any amount greater than the \$36.5 million requested for construction. He also noted progress in the congressional approval of the construction authorization.

Mr. Ripley outlined the foreign gifts and pledges to date and



noted prospects for additional foreign donations. It was noted that all gifts and pledges (\$13,910,800), added to Smithsonian unrestricted fund transfer (\$12,357,100), total \$26,267,900—more than two-thirds of the \$37.5 million goal.

The Secretary underscored the importance of the National Board of the Smithsonian Associates in the domestic fund-raising campaign, noting that the extraordinary generosity and dedication of several members has been critical to launching a sequential strategy for soliciting leadership-level gifts, to be followed by an expanded search for more moderate gifts. A series of special regional meetings will be arranged for the Secretary in this connection. A broader appeal to the entire membership of the National Associates may ensue.

One of America's leading collectors of Near and Far Eastern art, Dr. Arthur M. Sackler, made a firm proposal for the donation of works of oriental art valued at \$50 million and also \$4 million in cash toward the construction costs of the Quadrangle, with the condition that the new gallery of Near and Far Eastern art will be named for him. After discussion, the Regents authorized the Secretary to negotiate terms of the agreement, subject to further review by the Board.

Mr. Ripley informed the Regents that the Museum Support Center was 65 percent complete on April 22, 1982, and that procedures are being developed to facilitate a complex, multi-stage move to the center. The Secretary reported on the status of the Institution-wide collections inventory and the progress in formulating up-to-date collections management policies.

It was noted that the Secretary received the rank of Commander in the Order of Orange-Nassau just prior to the visit of the Queen of The Netherlands, in recognition of the work culminating in the Queen's opening of the *De Stijl* exhibition at the Hirshhorn Museum and Sculpture Garden, as well as, more generally, the Smithsonian's work over the years. The Regents offered their approval and congratulations.

The traditional Regents' Dinner was held in honor of Mr. Webb the evening of May 2, in the "Commons" of the Smithsonian Institution Building. The guests gathered in the Victorian Garden, where a model of the Quadrangle was on view. The Chancellor presented a citation to Mr. Webb dedicating the Webb Fellow-





Shown *above* is the Regents' meeting of January 25, 1982, in progress. *Below*, Her Majesty, Queen Beatrix of The Netherlands and Abram Lerner, director of the Hirshhorn Museum and Sculpture Garden, attended the official opening of *De Stijl: 1917-1931, Visions of Utopia*, April 19, 1982, at the Hirshhorn.



ships in his honor: “. . . the Webb Fellowships will nurture management abilities of Smithsonian employees and visiting scholars for years to come—and will therefore continue to symbolize our profound gratitude for this sensitive and dear colleague.” The Secretary offered a toast to Dr. Fred L. Whipple, in whose name the astronomical observatory at Mt. Hopkins was to be dedicated on May 7, 1982. There followed a showing of the film *In Open Air*, procured through the generosity of the Allbritton Foundation in connection with the exhibition of the American Impressionists’ paintings.

The Chancellor called to order the autumn meeting of the Board of Regents on Monday, September 20, 1982, in the Regents’ Room. The Executive Committee reported on their August 25 meeting, where the Committee discussed contingency plans, should a pay supplemental appropriation not be forthcoming, and called for a staff report on the projected deficit of the Division of Performing Arts to be distributed to the Audit and Review Committee. The Treasurer reported that the Institution’s banking and cash-management systems are being simplified, streamlined, and modernized. The Committee then discussed in detail the status of the Quadrangle project and agreed to recommend proceedings as proposed (see below).

The Audit and Review Committee reported on its meeting of May 21, 1982, noting that Coopers and Lybrand had found no weaknesses in accounting and controls in their audit of fiscal year 1981 federal appropriations. Mr. Jameson presented a report on the status of equal opportunity and affirmative action, emphasizing the persisting problems of underrepresentation in professional and administrative positions. The Committee received a report on the organization of book publishing at the Smithsonian.

The Treasurer informed the Regents that the Institution received a federal supplemental appropriation of \$2.7 million, some \$400,000 above the Institution’s request of \$2.3 million for fiscal year 1982; that Unrestricted General Trust Funds were projected to provide a small surplus of \$47,000, compared to an original breakeven budget; and that substantial gains by the magazine, the National Associates, and the Smithsonian Institution Press largely offset higher administrative and program expenses and a substantial deficit in the Division of Performing Arts.

The Treasurer added that House and Senate mark-ups of the Institution's fiscal year 1983 appropriation request were not anticipated until late in September, and it would appear the Institution would again be required to operate under a continuing resolution for a portion of the new fiscal year. Net income from Unrestricted General Trust Funds is expected to total \$12,237,000 in fiscal year 1983, an increase of \$720,000, due primarily to improved performance in certain of the auxiliary activities and holding program growth and administrative costs to a minimum. The Regents approved this budget, reauthorizing the Collections Acquisition, Scholarly Studies, and Educational Outreach programs for a second five-year period at an annual level of \$2.2 million, an increase of \$200,000 above the previous funding level. This increase will allow some expansion for research and education outreach projects and will expand the Collections Acquisition Program to include the Cooper-Hewitt Museum. The Regents reviewed and approved for submission to the Office of Management and Budget a request for federal appropriations totaling \$178,653,000 for fiscal year 1984. The Secretary added that, with the approval of the Chairman of the Executive Committee, the Institution signed a contract for the sale of the Belmont Conference Center and 82 surrounding acres to the American Chemical Society.

The Regents' Investment Policy Committee reported that the market value of the Smithsonian Endowment Funds, paralleling substantial gains in the stock market, increased from \$77.4 million at the end of June to just under \$85 million as of the beginning of September. Over the last four years and two months, there has been an annual compounded rate of return of 13.3 percent, some two percentage points ahead of the major market indices and well ahead of the annual inflation rate of approximately 10 percent.

The Secretary reported on the completion of the intermediate working plans for the Quadrangle, noting that final plans are expected to be completed by November 15. A request for bids will be issued in early January. To save about three months and approximately \$1.5 million in escalation costs, separate design and bid packages are being prepared for solicitation—as soon as receipt of a construction appropriation is assured—for constructing a perimeter fence, removing existing landscape materials, and relocating utility lines. On September 14 the Commission on Fine Arts gave

general approval to the building plans but asked for further study of landscaping details. The National Capital Planning Commission will review the project in October.

The Secretary added that, in accordance with the Regents' earlier approval, he signed an agreement with Dr. Sackler providing for a pledge of \$4 million toward construction of the Quadrangle; a donation of nearly 1,000 works of Oriental art valued at well over \$50 million and selected by the director of the Freer Gallery; a provision that the director of the Freer be also the director of the western portion of the Quadrangle interconnecting with the Freer, such portion to be known as the Arthur M. Sackler Gallery; and that the director be assisted by an assistant director whose principal duty would be day-to-day management of the gallery; a mutual commitment to continue a program of scholarly publication based on the collection, conducted at the donor's expense; and an understanding that the donor's commitments are contingent upon the Smithsonian obtaining \$36.5 million in federal funds for construction costs by July 1983.

Mr. Ripley stated that as of July 31, 1982, a total of \$27.4 million had been raised or committed toward the fund-raising goal of \$37.5 million. The sequential fund-raising technique recommended by Brakeley, John Price Jones, Inc., is being utilized, concentrating first on commitments from prospects with substantial gift potential and those with close associations with the Smithsonian. Members of the National Board of Smithsonian Associates have given or pledged \$1.4 million, and that total is expected to reach \$2 million. Members of that board have also assumed active roles in fund-raising among corporations, foundations, and other individuals, and have been helping to organize regional functions at which the Secretary will present the concepts and plans for the Quadrangle to local leadership. A broad general appeal will be directed to Smithsonian Associates through *Smithsonian* magazine in 1983. Solicitation of foreign gifts continues in the Middle East and Southeast Asia and among businesses with interests in African nations. Mr. Brakeley stated that the campaign is going very well and he is confident that the required funds will be raised on schedule.

The Quadrangle authorizing legislation, signed June 24, 1982, stipulated that no funds appropriated for construction shall be obligated or expended until the Regents have available from non-



Fred Whipple (*center*), former director, SAO, was honored May 7, 1982, with the naming of the Smithsonian research facility on Mt. Hopkins, Arizona, "The Fred Lawrence Whipple Observatory." Assistant Secretary for Science David Challinor (*right*) and George B. Field, current director of SAO, presided over the unveiling of a commemorative plaque. *Below* are shown the new alligator and crocodile exhibition areas of the National Zoo's recently renovated reptile and amphibian house.



federal sources a sum which, when combined with the appropriated funds, is sufficient for the construction. Assuming approval of this appropriation (the House included it in the continuing resolution for fiscal year 1983), the Board of Regents needed to certify the availability of the nonfederal sources before any construction appropriation could be obligated. Given the success of efforts to date, the strength of future prospects, and the existence of trust funds in the event insufficient funds are raised, the Regents voted to express gratitude to the Congress and the President for the authorization of the Quadrangle project and the anticipated implementing appropriation; to affirm full confidence in the ability of the Institution to secure from nonfederal sources remaining funds to total \$37.5 million towards the Quadrangle project; to pledge that unrestricted trust funds of the Institution will be directed to the project to the extent necessary to guarantee its commitment of \$37.5 million of nonfederal funds; and to certify therefore that, with an appropriation as requested, total project funds of \$75 million are available, and construction may commence. Subsequent to the meeting, the Regents' resolution was communicated to the chairmen of the Smithsonian's authorizing and appropriations committees in the Congress.

The Secretary highlighted a report on the construction of the Museum Support Center, then more than 90 percent complete, ahead of schedule, and within budget. Favorable bids were received for supplying the storage equipment for "'wet" collections, while specifications continue to be developed for other kinds of storage equipment (to be bid in January 1983).

In recognition of Mr. Warren Robbins's service to the Smithsonian and to the nation in founding the National Museum of African Art and overseeing its development from a small private venture to its present status, the Regents voted to award him the Henry Medal. The Regents also voted to appoint to the Commission of the National Museum of African Art, effective January 1, 1983, Frank Moss, Frances Humphrey Howard, Roy Sieber, David Driskell, and Robert Nooter for a term of three years; Walter Washington, Richard Long, John Loughran, Susan Samuels, and Robert Thompson for a term of two years; and Franklin Williams, Lee Bronson, John Duncan, Michael Sonnenreich, and Sylvia Boone for a term of one year.

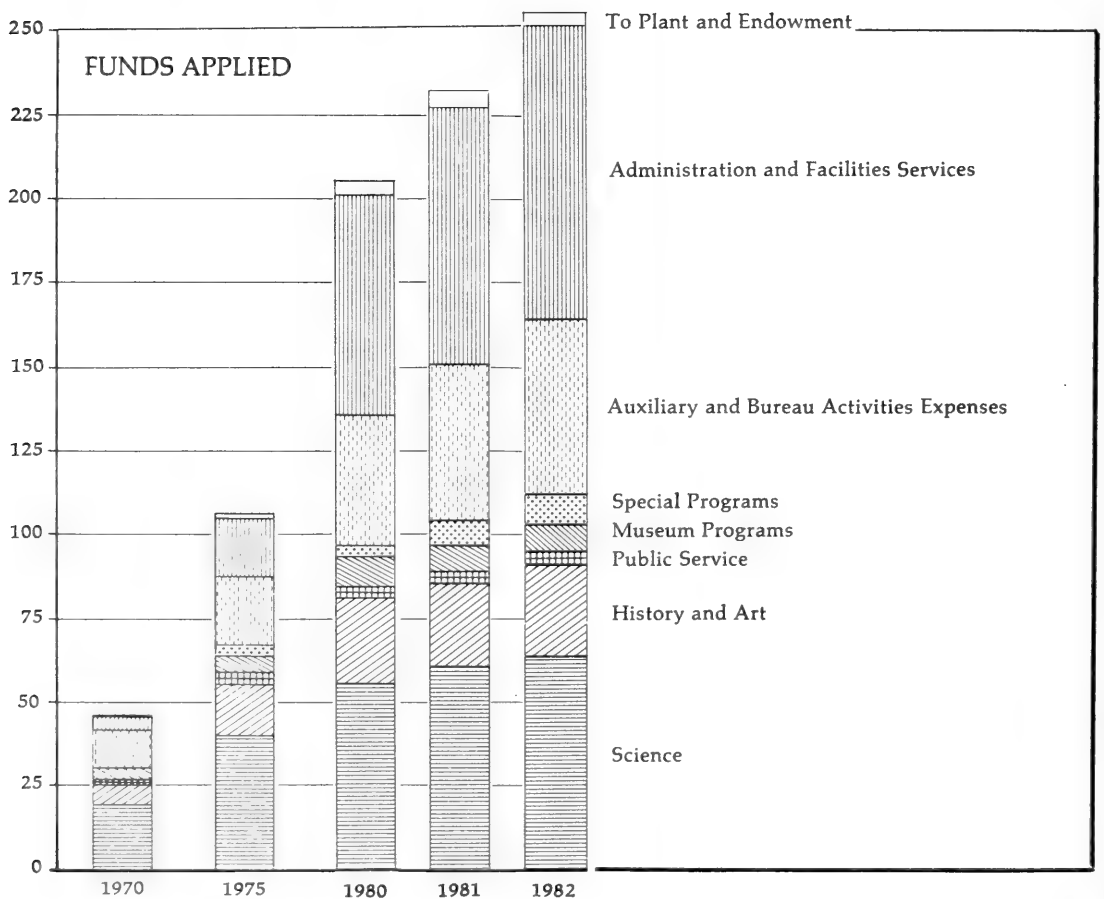
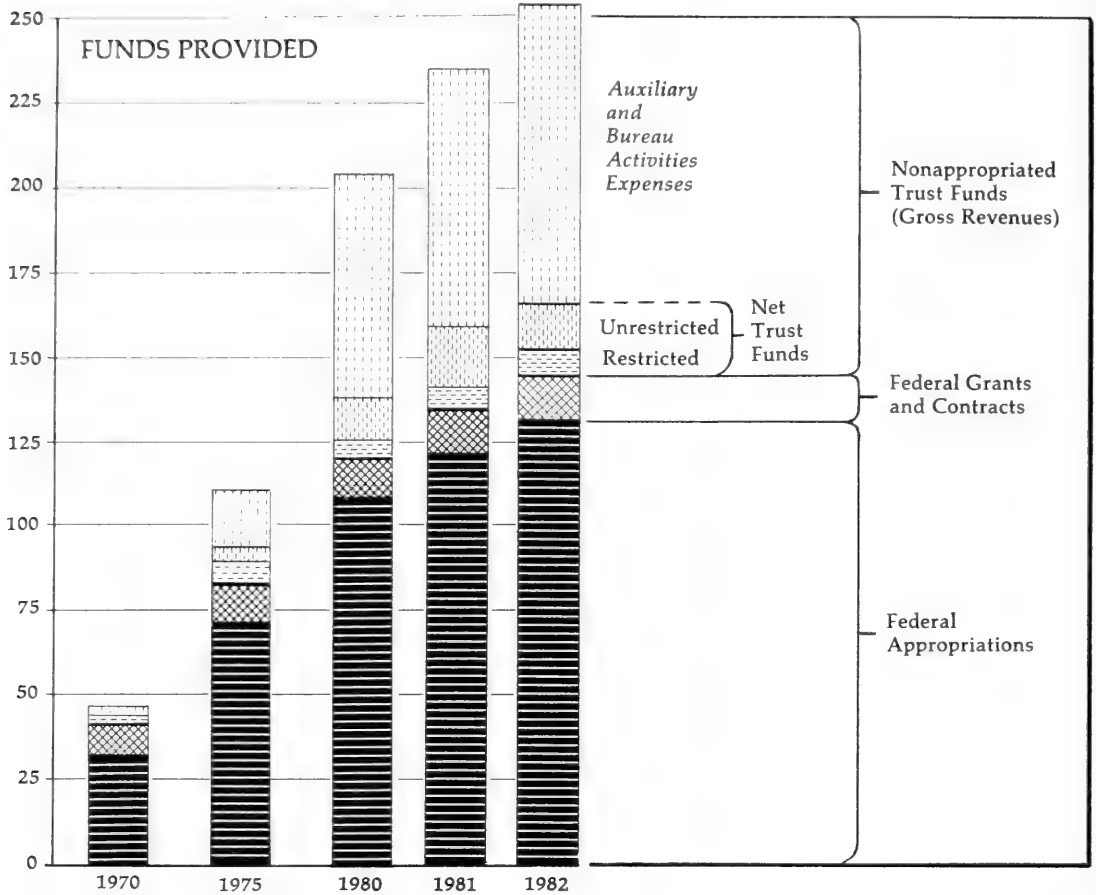


It was noted that in response to the Acting Secretary's letter of June 15, the Regents had unanimously voted to concur in the proposed agreement for the purchase of Gilbert Stuart's "Edgehill" portrait of Thomas Jefferson. The Secretary added that the acquisition has proceeded as outlined, and this unique portrait is now shared by the National Portrait Gallery and Monticello at a cost of \$500,000 to each. Display of the portrait will alternate between the two every three years.

The Secretary also reported that Julian T. Euell, Assistant Secretary for Public Service since 1973, will be leaving to become director of the Oakland Museum, October 1, and the Secretary added he will be reorganizing some aspects of the Public Service functions at that time.

The traditional dinner was held on Sunday evening, September 19, at the National Zoo in the Reptile House, following cocktails in the Ape House. After dinner the Secretary greeted the Regents and guests and introduced the new Regent, Miss Hanks. He also paid tribute to the departing Assistant Secretary for Public Service, Julian T. Euell. He went on to honor the generous supporters of the Quadrangle, particularly Dr. Arthur M. Sackler, and spoke briefly about his aspirations for this significant addition to the Smithsonian's museums.

## (In \$1,000,000's)





## FINANCIAL REPORT

CHRISTIAN C. HOHENLOHE, TREASURER

**SUMMARY:** In fiscal year 1982, the overall financial resources provided to the Smithsonian permitted maintenance of its extensive programs in exhibits and research, in public education and outreach. During this time of financial uncertainty, the continued strong support from Congress, from donors, from granting agencies, and from revenue-generating auxiliary activities made possible the progress and important accomplishments noted elsewhere in this report. The bar chart on the facing page summarizes the funds provided to the Smithsonian from a wide variety of sources, as well as the application of these moneys for an equally diverse range of programs. Evident from this chart is the growth of the operating budget in 1982 over prior years; as in the most recent years, however, this growth related less to program expansion than to the ever higher costs of salaries, supplies, utilities, and collection purchases. While some enhancements were possible, notably for the new Museum Support Center and for the collection inventory process, the year was characterized by fiscal restraint, self-assessment, and cost-reduction efforts. Due to partial hiring freezes and budget constraints, the full-time staff of the Smithsonian was kept to a level below that of last year.

While not unaffected by the government budget restrictions of this fiscal year, the Institution was nevertheless allowed a federal appropriation sufficient to sustain ongoing operations. After detailed and understanding review by the Congress, total federal appropriations of some \$145 million were passed, including \$131 million for operations; it is this appropriation which provides the Institution's base resources for research, education, and exhibition

programs, for study and care of the national collections, and for administrative and support services. Of signal importance to the Institution was a planning appropriation of \$1 million in support of the Quadrangle, the center more fully described by the Secretary in his Statement; this commitment of federal funds to a project whose costs will be met from matched federal and nonfederal funds was most welcome. (Subsequently, on October 2, 1982, the remaining funds of \$36.5 million were voted and signed by the President for fiscal year 1983.) Also important to the Institution in fulfilling its public duties was the annual appropriation for the necessary, but less inspiring, task of repairing and maintaining the large and diverse physical plant. Significant funding was also received from federal agencies in the form of grants and contracts, primarily for scientific research.

In addition to the core support provided by the federal appropriations, the Institution is also dependent on nonappropriated trust funds to enrich its programs and expand their reach. Strong public acceptance of the Institution's services continued during the year, with tangible financial return from the Smithsonian Associates programs and other auxiliary activities, as well as generous gifts and grants from individuals, foundations, and corporations. While net revenues from nonappropriated sources, after deduction of the operating expenses and sales costs of auxiliary activities, were lower than in fiscal year 1981, ongoing program commitments were met, and, as budgeted, transfers were made of \$2 million to unrestricted endowment and \$1 million toward Quadrangle construction reserve. Together with the transfers of prior years as well as favorable investment return, the unrestricted endowment of the Institution now totals some \$37 million; continued addition to this fund remains a high priority of the Institution.

Significant progress was made during the year in securing financial support for the Quadrangle. As outlined more fully below, gifts and commitments to this project from outside sources as well as the Institution's own resources now total almost three-quarters of the nonfederal funds of \$37.5 million needed for construction. Fund-raising efforts for this major project are actively underway.

**TABLE 1. Financial Summary**  
(In \$1,000's)

	FY 1980	FY 1981	FY 1982
<b>INSTITUTIONAL OPERATING FUNDS</b>			
<b>FUNDS PROVIDED:</b>			
Federal Appropriations—Salaries & Expenses .....	\$107,764	\$122,478	\$131,170
Federal Agency Grants & Contracts .....	12,947	14,172	13,217
<b>Nonappropriated Trust Funds:</b>			
For Restricted Purposes .....	5,339	6,378	6,821
<b>For Unrestricted &amp; Special Purposes:</b>			
Auxiliary & Bureau Activities Revenues—Gross ....	75,150	88,381	97,350
Less Related Expenses .....	(65,933)	(75,924)	(88,596)
Auxiliary & Bureau Activities Net Revenue .....	9,217	12,457	8,754
Investment, Gift, and Other Income .....	3,825	4,887	4,808
Total Net Unrestricted & Special Purpose Revenue ..	13,042	17,344	13,562
Total Nonappropriated Trust Funds*—Gross .....	84,314	99,646	108,979
—Net .....	18,381	23,722	20,383
Total Operating Funds Provided—Gross .....	205,025	236,296	253,366
—Net .....	\$139,092	\$160,372	\$164,770
<b>FUNDS APPLIED:</b>			
Science .....	\$ 57,907	\$ 62,703	\$ 64,837
Less SAO Overhead Recovery .....	(2,196)	(2,470)	(2,487)
History & Art .....	26,224	25,614	26,762
Public Service .....	3,129	3,421	3,782
Museum Programs .....	8,974	8,084	8,539
Special Programs .....	3,204	7,284	9,533
Associates and Business Management .....	345	312	543
Administration—Federal** .....	8,048	8,782	9,719
—Nonappropriated Trust Funds .....	4,937	5,740	5,733
Less Smithsonian Overhead Recovery .....	(4,379)	(5,014)	(5,338)
Facilities Services .....	30,630	36,501	39,327
Total Operating Funds Applied .....	136,823	150,957	160,950
<b>Transfers (Nonappropriated Trust Funds)</b>			
Unrestricted Funds—To Plant .....	1,342	2,550	1,064
—To Endowments .....	2,031	2,550	2,259
Restricted Funds—To Endowments .....	757	108	318
Total Operating Funds Applied & Transferred Out .....	\$140,953	\$156,165	\$164,591***
<b>CHANGES IN NONAPPROPRIATED TRUST FUND BALANCES:</b>			
Restricted Purpose (Incl. Fed. Agency Gr. & Contracts) ..	\$ (225)	\$ 1,276	\$ (45)
Unrestricted—General Purpose .....	36	42	5
—Special Purpose .....	(1,672)	2,704	404
Total .....	\$ (1,861)	\$ 4,022	\$ 364
<b>YEAR-END BALANCES—NONAPPROPRIATED TRUST FUNDS:</b>			
Restricted Purpose .....	\$ 4,675	\$ 5,951	\$ 5,906
Unrestricted—General Purpose .....	5,001	5,043	5,048
—Special Purpose .....	9,895	12,599	13,003
Total .....	\$ 19,571	\$ 23,593	\$ 23,957
<b>OTHER FEDERAL APPROPRIATIONS</b>			
Special Foreign Currency Program .....	\$ 4,200	\$ 3,650	\$ 4,320
Construction .....	32,100	15,829	9,744
Total Federal Appropriations (Incl. S&E above) .....	\$144,064	\$141,957	\$145,234

\*Figures do not include gifts and other income directly to Plant and Endowment Funds: FY 1980—\$1,211,000; FY 1981—\$2,696,000; FY 1982—\$2,197,000.

\*\*Includes unobligated funds returned to Treasury: FY 1980—\$267,000; FY 1981—\$64,000; FY 1982—\$124,000.

\*\*\*Includes \$185,000 available for FDR Centennial carried forward from FY 1981.

## *Operating Funds—Sources and Application*

Growth in the overall operating budget of the Institution continued, but at a slightly slower pace than experienced in previous years. Total gross operating funds, as shown in Table 1, increased by over \$17 million, or 7 percent, from \$236,296,000 in fiscal year 1981 to \$253,366,000 in fiscal year 1982. These funds were derived from three major sources: 52 percent from federal appropriations, 43 percent from nonappropriated sources, and 5 percent from federal agency grants and contracts.

After deducting expenses of the nonappropriated auxiliary and bureau activities, net operating income grew by only \$4.4 million, approximately 3 percent, and was derived 80 percent from federal appropriations, 12 percent from nonappropriated sources, and 8 percent from federal agency grants and contracts. Application of these funds by all Smithsonian bureaux is outlined in Table 2, with further supporting detail in succeeding tables.

### *FEDERAL APPROPRIATION*

The federal appropriation for the core operating programs of the Institution totaled \$131,170,000 in fiscal year 1982. The increase of \$8.7 million, or 7 percent, over fiscal year 1981 was approximately equivalent to increased costs resulting from inflation in such areas as pay, utilities, rent, and other objects of expense. The appropriation included specific increases for these inflationary costs as well as for such high-priority programs as the inventory of collections and equipping of the Museum Support Center. These were, however, partially offset by an across-the-board reduction to all Smithsonian programs, part of a government-wide cutback aimed at reducing the nation's overall budget deficit. In order to prevent major disruption to ongoing programs and public activities, a series of financial actions were taken. Additional control on hiring, travel, and all nonessential purchases and contracts was instituted. Based on a comprehensive management review of all Smithsonian programs, certain activities were curtailed or deferred, including elimination of spring and summer evening visiting hours in all museums except the National Air and Space Museum and the National Zoological Park. Following regulations set forth by congressional committees, funds were reprogrammed among bureaux to

meet priority needs. These actions enabled the Institution to complete the year with a minimum of disruption.

#### FEDERAL AGENCY GRANTS AND CONTRACTS

Grants and contracts from federal agencies totaled \$13,217,000, approximately 7 percent less than received in the previous year. This support not only contributed substantially to research and educational projects being conducted by Smithsonian personnel, but also benefited the granting agencies by providing access to specific expertise and resources maintained at the Institution. As illustrated in Table 3, the majority of these funds, over \$9 million, were provided by the National Aeronautics and Space Administration to continue work at the Smithsonian Astrophysical Observatory in satellite tracking, maser design and construction, and studies of the upper atmosphere and stellar magnetic fields. Support from the Defense Department, the National Science Foundation, and other government agencies provided an additional \$4 million—primarily to science activities—for a broad spectrum of projects, including dating Antarctic ice sheets, enhancement of a volcano data file, a tumor registry program, coral-reef research, sorting and study of polar marine specimens, a medical entomology project, and the Smithsonian's annual Festival of American Folklife.

#### NONAPPROPRIATED TRUST FUNDS

In fiscal year 1982, nonappropriated trust fund revenues to the Institution from gifts and grants, endowment fund and current investments, and revenue-producing activities totaled \$108,979,000, an increase of \$9,333,000, or 9 percent, over fiscal year 1981. After deduction of expenses incurred by the bureau and auxiliary activities, however, net income declined by \$3,339,000 to a total of \$20,383,000. As displayed in Table 2, these revenues provided support for programs of virtually every bureau of the Institution.

*Restricted* fund income to the Institution totaled \$6,821,000 for the year, of which \$3,154,000 was derived from gifts and grants; \$2,886,000 from restricted purpose endowment investment income and interest paid on fund balances of restricted purpose funds; and \$781,000 from other sources, including primarily fund-raising activities of the Archives of American Art and Cooper-Hewitt Museum and the sales desk at the Freer Gallery of Art. Available only

**TABLE 2. Source and Application of Operating Funds**  
**Year Ended September 30, 1982**

(Excludes Special Foreign Currency Funds, Plant Funds and Endowments)  
(In \$1,000's)

Funds	Nonfederal Funds						
	Fed- eral funds	Total non- federal funds	Unrestricted			Restricted	
			Gen- eral	Aux- iliary activ- ities	Spe- cial pur- pose	Gen- eral	Grants and con- tracts
FUND BALANCES 10/1/81 ..	\$ 185*	\$ 23,593	\$ 5,043	\$ —	\$12,599	\$ 5,546	\$ 405
FUNDS PROVIDED							
Federal Appropriations .....	131,170	—	—	—	—	—	—
Investment Income .....	—	6,526	2,921	—	719	2,886	—
Grants and Contracts .....	—	13,217	—	—	—	—	13,217
Gifts .....	—	5,234	18	1,757	305	3,154	—
Sales and Revenue .....	—	95,593	—	92,668	2,925	—	—
Other .....	—	1,626	83	—	762	781	—
Total Provided .....	131,170	122,196	3,022	94,425	4,711	6,821	13,217
Total Available .....	\$131,355	\$145,789	\$ 8,065	\$94,425	\$17,310	\$12,367	\$13,622
FUNDS APPLIED							
<i>Science:</i>							
Assistant Secretary .....	\$ 333	\$ 412	\$ 90	\$ —	\$ 5	\$ 129	\$ 188
Natl. Mus. of Nat. History ...	16,555	3,640	59	—	502	1,810	1,269
Astrophysical Observatory ...	5,694	13,896	2,517	—	657	171	10,551
Less Overhead Recovery ...	—	(2,487)	(2,487)	—	—	—	—
Tropical Research Inst. ....	2,923	305	78	—	146	81	—
Radiation Biology Lab. ....	1,961	199	—	—	87	27	85
Natl. Air & Space Museum ...	6,386	2,173	8	—	1,993	64	108
Chesapeake Bay Center .....	911	599	58	—	119	72	350
Natl. Zoological Park .....	9,271	429	18	—	77	37	297
Center for Study of Man ....	618	68	1	—	—	67	—
Total Science .....	44,652	19,234	342	—	3,586	2,458	12,848
<i>History and Art:</i>							
Assistant Secretary .....	533	115	96	—	20	—	(1)
Natl. Mus. Am. History .....	8,261	719	97	—	244	378	—
Natl. Mus. American Art ....	3,850	526	36	—	284	142	64
Natl. Portrait Gallery .....	2,799	800	23	—	549	228	—
Hirshhorn Museum .....	2,563	223	12	—	113	98	—
Freer Gallery of Art .....	835	1,594	9	—	203	1,382	—
Archives of American Art ...	626	626	3	—	18	605	—
Cooper-Hewitt Museum .....	733	1,543	365	—	787	337	54
Natl. Mus. of African Art ....	760	206	76	—	21	109	—
Total History and Art .	20,960	6,352	717	—	2,239	3,279	117

**TABLE 2. Source and Application of Operating Funds—continued**  
**Year Ended September 30, 1982**

(Excludes Special Foreign Currency Funds, Plant Funds and Endowments)  
(In \$1,000's)

Funds	Nonfederal Funds						
	Fed- eral funds	Total non- federal funds	Unrestricted			Restricted	
			Gen- eral	Aux- iliary activ- ities	Spe- cial pur- pose	Gen- eral	Grants and con- tracts
<i>Public Service:</i>							
Assistant Secretary .....	218	1	1	—	—	—	—
Reception Center .....	45	463	459	—	4	—	—
Telecommunications .....	62	654	278	—	157	219	—
Anacostia Museum .....	671	44	24	—	17	3	—
Intl. Exchange Service .....	215	—	—	—	—	—	—
Performing Arts .....	449	8,359	—	8,265	75	19	—
Smithsonian Press .....	886	6,640	—	6,640	—	—	—
Total Public Service ...	2,546	16,161	762	14,905	253	241	—
<i>Museum Programs:</i>							
Assistant Secretary .....	748	121	17	—	62	23	19
Registrar .....	132	—	—	—	—	—	—
Conserv. Analytical Lab. ....	822	—	—	—	—	—	—
Libraries .....	3,212	246	229	—	1	16	—
Exhibits .....	1,407	(1)	—	—	(1)	—	—
Traveling Exhib. Service .....	279	1,565	—	1,167	48	238	112
Archives .....	453	42	42	—	—	—	—
National Museum Act .....	735	—	—	—	—	—	—
Total Museum Programs	7,788	1,973	288	1,167	110	277	131
<i>Special Programs:</i>							
Am. Studies & Folklife Pgm. ...	619	908	513	—	39	32	324
Intl. Environ. Science Pgm. ...	526	—	—	—	—	—	—
Academic & Educational Pgm.	531	992	167	—	693	117	15
Collections Mgt./Inventory ...	733	—	—	—	—	—	—
Major Exhibition Program ...	718	—	—	—	—	—	—
Museum Support Center .....	4,510	1	—	—	1	—	—
Total Special Programs.	7,637	1,901	680	—	733	149	339
Associate Programs .....	—	49,226	499	48,668	24	35	—
Business Management .....	—	21,579	—	21,579	—	—	—
Administration .....	9,595	5,828	5,513	94	91	130	—
Less Overhead Recovery ...	—	(5,338)	(5,338)	—	—	—	—
Facilities Services .....	38,053	1,275	1,218	—	55	2	—
<i>Transfers Out/(In):</i>							
Treasury .....	124**	—	—	—	—	—	—
Coll. Acq., Schol. St., Outreach	—	—	2,000	—	(2,000)	—	—
Net Auxiliary Activities .....	—	—	(7,632)	7,632	—	—	—
Other Designated Purposes ...	—	—	947	380	(1,086)	(241)	—
Plant .....	—	1,064	1,000	—	64	—	—
Endowment .....	—	2,577	2,021	—	238	318	—
Total Transfers .....	124	3,641	(1,664)	8,012	(2,784)	77	—
Total Funds Applied ..	\$131,355	\$121,832	\$ 3,017	\$94,425	\$ 4,307	\$ 6,648	\$13,435
FUND BALANCES 9/30/82 ..	\$ —	\$ 23,957	\$ 5,048	\$ —	\$13,003	\$ 5,719	\$ 187

\*Funds available for FDR Centennial through FY 1982.

\*\*Unobligated funds returned to Treasury.

TABLE 3. *Grants and Contracts—Expenditures*  
(In \$1,000's)

<i>Federal Agencies</i>	<i>FY 1980</i>	<i>FY 1981</i>	<i>FY 1982</i>
Department of Commerce .....	\$ 89	\$ 210	\$ 174
Department of Defense .....	1,078	703	1,001
Department of Energy .....	340	407	448
Department of Health and Human Services ...	280	283	325
Department of Interior .....	197	244	268
National Aeronautics and Space Administration* .....	9,832	10,663	9,303
National Science Foundation** .....	651	784	1,079
Other .....	415	574	837
Total .....	<u>\$12,882</u>	<u>\$13,868</u>	<u>\$13,435</u>

\*Includes \$554 (FY 1980), \$813 (FY 1981) and \$264 (FY 1982) in subcontracts from other organizations receiving prime contract funding from NASA.

\*\*Includes \$112 (FY 1980), \$208 (FY 1981) and \$230 (FY 1982) in NSF subcontracts from the Chesapeake Research Consortium.

for specified purposes, restricted funds provided substantial support for a wide variety of research, exhibitions, publications, and educational activities, and served as the major funding source for the Freer Gallery of Art and the Smithsonian Marine Station at Link Port (formerly the Fort Pierce Bureau). A particularly significant contribution was received by the Office of Museum Programs in fiscal year 1982 in the form of a three-year grant of \$1.1 million from the Kellogg Foundation. This grant will be used to fund a series of fellowships, colloquia, workshops, and videotapes designed to strengthen the education role of America's museums.

Revenues to *Unrestricted Special Purpose* funds during the year totaled \$4.7 million. Bureau activities, such as the National Air and Space Museum Theater and the membership programs of the Cooper-Hewitt Museum, generated revenues of \$2,925,000, while gifts, interest earned on the investment of bureau fund balances, zoo parking revenues, and other miscellaneous income accounted for an additional \$1,786,000. Also included in this fund category are allocations for the Collections Acquisition, Scholarly Studies, and Educational Outreach programs, for pre- and postdoctoral fellowship awards, and for revenue-sharing to bureaux housing cen-



TABLE 4. *Restricted Operating Trust Funds\**  
Fiscal Years 1980-1982  
(In \$1,000's)

<i>Item</i>	<i>Invest- ment</i>	<i>Gifts</i>	<i>Misc.</i>	<i>Total rev- enue</i>	<i>Deduc- tions</i>	<i>Trans- fers in (out)</i>	<i>Net in- crease (de- crease)</i>	<i>Fund bal- ance end of year</i>
FY 1980—Total .....	\$2,349	\$2,257	\$ 733	\$5,339	\$4,856	\$ (773)	\$ (290)	\$4,574
FY 1981—Total .....	\$2,591	\$2,978	\$ 809	\$6,378	\$5,295	\$ (111)	\$ 972	\$5,546
FY 1982:								
National Museum of Natural History .....	\$ 973	\$ 337	\$ 4	\$1,314	\$1,810	\$ (9)	\$ (505)	\$ 876
Astrophysical Observatory .....	57	51	10	118	171	8	(45)	(25)
Tropical Research Institute .....	24	49	—	73	81	—	(8)	57
National Air and Space Museum .....	61	24	—	85	64	—	21	111
Chesapeake Bay Center .	3	—	—	3	72	—	(69)	13
Other Science .....	230	197	—	427	260	(95)	72	610
National Museum of American History .....	77	330	—	407	378	—	29	487
National Museum of American Art .....	69	51	7	127	142	—	(15)	326
National Portrait Gallery.	30	124	1	155	228	—	(73)	160
Hirshhorn Museum .....	67	355	—	422	98	—	324	604
Freer Gallery of Art ....	972	50	485	1,507	1,382	—	125	935
Archives of American Art	28	314	90	432	605	—	(173)	98
Cooper-Hewitt Museum .	66	180	128	374	337	—	37	350
Traveling Exhibition Service .....	24	235	—	259	238	—	21	175
Office of Museum Programs .....	19	331	—	350	12	—	338	346
All Other .....	186	526	56	768	693	19	94	596
Total FY 1982 ....	\$2,886	\$3,154	\$ 781	\$6,821	\$6,571	\$ (77)	\$ 173	\$5,719

\*Does not include Federal Agency Grants and Contracts.

TABLE 5. *Unrestricted Special Purpose Funds*  
*Fiscal Years 1980-1982*  
(In \$1,000's)

Item	Revenue				Deductions				Fund balance end of year
	Investment	Bureau activities	Gifts and other revenue	Total revenue	Transfers in (out)	Program expense	Bureau activity expense	Net increase (decrease)	
FY 1980 .....	\$430	\$2,049	\$ 771	\$3,250	\$4,252	\$7,361	\$1,813	\$ (1,672)	\$ 9,895
FY 1981 .....	\$589	\$3,333	\$1,105	\$5,027	\$4,766	\$4,844	\$2,245	\$ 2,704	\$12,599
FY 1982:									
National Museum of Natural History .....	\$ 42	\$ 4	\$ 32	\$ 78	\$ 475	\$ 501	\$ 1	\$ 51	\$ 387
Astrophysical Observatory .	6	118	73	197	523	514	143	63	597
Tropical Research Institute .....	—	—	3	3	134	141	5	(9)	81
National Air and Space Museum	336	2,003	31	2,370	(179)	633	1,360	198	3,036
Chesapeake Bay Center .....	2	35	11	48	80	92	27	9	34
National Zoological Park ..	186	—	206	392	8	77	—	323	1,618
Other Science ..	39	—	3	42	137	92	—	87	233
National Museum of American History .....	23	13	80	116	132	235	9	4	277
National Museum of American Art .....	14	6	97	117	140	279	5	(27)	170
National Portrait Gallery	7	9	30	46	511	547	2	8	70
Hirshhorn Museum .....	18	—	44	62	39	113	—	(12)	137
Cooper-Hewitt Museum .....	—	590	78	668	5	273	514	(114)	(81)
National Museum of African Art	—	13	3	16	146	1	20	141	143
Liability Reserves	—	—	—	—	—	—	—	—	3,330
Unallocated Coll. Acq., Schol. Studies, and Outreach ....	—	—	—	—	(197)	—	—	(197)	73
Fellowships ....	—	—	—	—	822	668	—	154	627
Museum Support Center Equip..	—	—	—	—	—	1	—	(1)	749
All Other .....	46	134	376	556	8	741	97	(274)	1,522
Total FY 1982	\$719	\$2,925	\$1,067	\$4,711	\$2,784	\$4,908	\$2,183	\$ 404	\$13,003

trally managed shop and concession activities. As specified by the Bylaws of the Regents, transfers were made to endowment of otherwise unrestricted bequests received during the year.

*Unrestricted General Purpose* fund revenue is derived primarily from investment income and net revenues of the auxiliary activities. After deduction of auxiliary activity expenses, net general unrestricted funds provided some \$11 million for general Institutional purposes, a decrease of approximately \$3.5 million, or 24 percent, from the previous year (see Table 6).

Several factors have contributed to this reduction in income, including lower postal subsidies to nonprofit organizations, lower museum visitation, limiting of summer evening hours to the National Zoological Park and the National Air and Space Museum, and higher expenses, particularly as related to the recording program of the Division of Performing Arts. Unanticipated costs of promotion and record production combined with an unfortunately high rate of bad debts and inventory adjustments resulted in a net loss to this activity of more than \$2.5 million. Of net revenues generated by the auxiliary activities, some \$8.1 million was from the Associates programs. The *Smithsonian* magazine was responsible for the majority of this income, continuing its success of previous years. Sizable surpluses totaling over \$1.5 million were also generated by the Museum Shops, the Mail Order Division, and the Smithsonian Institution Press, which in fiscal year 1982 was reorganized to include the publishing activities of the Smithsonian Exposition Books. Income generated by concessions, parking, and food services provided an additional \$1.5 million, which was somewhat below last year's results, due primarily to lower visitation and the costs of converting two concessionaire-managed food facilities (at the National Air and Space Museum and the Hirshhorn Museum and Sculpture Garden) to Smithsonian-run operations.

Notwithstanding the decline in unrestricted general purpose revenues, continued support was provided a wide range of administrative and programmatic activities, including major operating support for the Cooper-Hewitt Museum, the Office of Telecommunications, Office of Folklife Programs, and the Visitor Information and Reception Center. Special allotments were also made for fundraising efforts related to the Quadrangle construction, for the cooperative education and other programs initiated in fiscal year 1981

**TABLE 6. Unrestricted Trust Funds—General and Auxiliary Activities**  
**Fiscal Years 1980–1982**  
(In \$1,000's)

<i>Item</i>	<i>FY 1980</i>	<i>FY 1981</i>	<i>FY 1982</i>
<b>FUNDS PROVIDED</b>			
General Income:			
Investments .....	\$ 2,470	\$ 3,123	\$ 2,921
Gifts .....	14	15	18
Miscellaneous .....	140	55	83
Total General Income .....	2,624	3,193	3,022
Auxiliary Activities Income (Net):			
Associates .....	6,113	8,691	8,126
Business Management			
—Museum Shops .....	1,022	631	856
—Concessions, Parking and Food Services ..	1,938	1,978	1,513
—Other .....	(191)	(251)	(322)
Performing Arts .....	(75)	(186)	(2,544)
Smithsonian Press* .....	557	767	670
Traveling Exhibitions .....	(268)	(226)	(298)
Photo Services .....	(115)	(35)	11
Total Auxiliary Activities .....	8,981	11,369	8,012
Total Funds Provided (Net) .....	11,605	14,562	11,034
<b>EXPENDITURES AND TRANSFERS</b>			
Administrative and Program Expense .....	10,535	12,141	12,505
Less Administrative Recovery .....	6,575	7,484	7,825
Net Expense .....	3,960	4,657	4,680
Less Transfers:			
To Special Purpose for Program Purposes ...	4,307	4,816	3,328
To Plant Funds .....	1,281	2,526	1,000
To Endowment Funds .....	2,021	2,521	2,021
NET ADDITION TO FUND BALANCE .....	36	42	5
ENDING FUND BALANCE .....	\$ 5,001	\$ 5,043	\$ 5,048

\*Includes Smithsonian Exposition Books which was combined with the Smithsonian Institution Press in FY 1982.

to strengthen affirmative-action efforts, for equipment and publication costs, as well as for events related to the Franklin Delano Roosevelt Centennial and the bicentennial celebration of the Battle of Yorktown.

Transfers to special purpose funds, which totaled \$3,328,000, provided support, as mentioned earlier, for a variety of acquisition,

TABLE 7. *Auxiliary Activities*  
Fiscal Years 1980-1982  
(In \$1,000's)

Activity	Sales and other rev- enue	Gifts	Less cost of sales	Gross rev- enue	Ex- penses	Net reve- nue**** (loss)
FY 1980 .....	\$72,203	\$ 898	\$41,569	\$31,532	\$22,551	\$ 8,981
FY 1981 .....	\$83,719	\$1,329	\$45,866	\$39,182	\$27,813	\$11,369
FY 1982:						
Associates .....	\$55,037	\$1,757	\$38,293	\$18,501	\$10,375	\$ 8,126
Business Management:						
—Museum Shops* ....	18,330	—	11,449	6,881	6,025	856
—Concessions/Parking/ Food Services ....	4,933	—	1,076	3,857	2,344	1,513
—Other** .....	363	—	—	363	685	(322)
Performing Arts .....	5,721	—	2,618	3,103	5,647	(2,544)
Smithsonian Press*** ...	7,310	—	2,321	4,989	4,319	670
Traveling Exhibitions ...	869	—	398	471	769	(298)
Photo Services						
(Administration) .....	105	—	11	94	83	11
Total FY 1982 ...	\$92,668	\$1,757	\$56,166	\$38,259	\$30,247	\$ 8,012

\*Includes Museum Shops and Mail Order.

\*\*Includes Business Management Office and Belmont.

\*\*\*Includes Smithsonian Exposition Books, which was combined with the Smithsonian Institution Press in FY 1982.

\*\*\*\*Before revenue-sharing transfers to participating Smithsonian bureaux of \$381,000 (FY 1980); \$390,000 (FY 1981); and \$380,000 (FY 1982).

education, research, and outreach projects. These allocations allowed the purchase of significant works including a major collection of West African textiles, a portrait of Thomas Jefferson painted by Gilbert Stuart, and two seventeenth-century Chinese scroll paintings by Tao-chi. The funds permitted extension of the Institution's outreach through special lectures and concerts, radio features on Smithsonian activities, and programs for the elderly and institutionalized, and also furthered research in such diverse areas as the ecological impact of the Africanized honeybees in Central America, the behavioral ecology of reef sharks, and the development of an oral history on the origins of modern astronomy and

astrophysics. An additional amount of \$1 million was transferred to plant funds for Quadrangle development, and \$2,021,000 to unrestricted endowment principal to ensure income for future needs.

### Special Foreign Currency Program

Foreign currencies accumulated from sales of surplus agricultural commodities under Public Law 83-480, determined by the Treasury Department to be in excess of the normal needs of the United States, are made available to the Smithsonian through the Special Foreign Currency Program. An appropriation of excess foreign currencies equivalent to \$4,320,000 was received under this program in fiscal year 1982. Some \$3.4 million was used to continue a program of grants to United States institutions for field research and advanced professional training in the countries of Burma, India, and Pakistan. Fields of study focused on areas of traditional Smithsonian competence, including archaeology and related disciplines, systematic and environmental biology, astrophysics and earth sciences, and museum programs. The balance of funds appropriated—\$960,000—was provided for the international effort to preserve the monumental site of Moenjodaro in Pakistan. This appropriation represented the first increment of a total of \$4 million equivalent in nonconvertible Pakistani currency expected to be

TABLE 8. *Special Foreign Currency Program*  
*Fiscal Year 1982—Obligations*  
(In \$1,000's)

<i>Country</i>	<i>Archae- ology</i>	<i>System- atic and environ- mental biology</i>	<i>Astro- physics and earth sciences</i>	<i>Mu- seum pro- grams</i>	<i>Grant admin- istra- tion</i>	<i>Total</i>
Burma .....	\$ 15	\$ 2	\$ —	\$ —	\$ —	\$ 17
India .....	2,772	70	64	236	66	3,208
Pakistan .....	968	374	—	—	—	1,342
Total .....	<u>\$3,755</u>	<u>\$ 446</u>	<u>\$ 64</u>	<u>\$ 236</u>	<u>\$ 66</u>	<u>\$4,567</u>

sought by the Institution as the United States' contribution toward the project. Obligations during the fiscal year by research discipline and country are provided in Table 8.

## *Construction*

Funding provided for construction and renovation projects at the Institution totaled \$12,962,000 in fiscal year 1982, as shown in Table 9. Of this amount, \$9,744,000 was from federal appropriations, and \$3,218,000 was from nonappropriated trust funds.

An appropriation of \$7,680,000 was provided for major repairs, renovation, and building improvements to Smithsonian facilities, with a further \$1,104,000 designated specifically for buildings and exhibits of the National Zoological Park. Projects supported by these appropriations included maintenance of building exteriors, particularly of the Arts and Industries Building and the Renwick Gallery; renovations to protect the safety, security, and health of the public, staff, and collections; elimination of architectural barriers to assure accessibility for disabled persons; energy conservation efforts; and programmatic modifications to outlying research and animal preservation facilities.

An additional \$960,000 was provided for Quadrangle development planning, marking the first federal appropriation for this project for which planning has been underway since 1978 with support from unrestricted trust funds. The Quadrangle represents a special partnership of federal and nonfederal funding; of the anticipated total construction cost of \$75 million, one-half will be provided from federal appropriations and one-half from nonappropriated sources. As of the end of the fiscal year, gifts for the Quadrangle, transfers from unrestricted trust funds, and earned interest totaled some \$9,656,000; together with additional commitments from outside sources, anticipated revenues from the sale of real estate, and planned unrestricted trust fund transfers in the future, over \$27.6 million of the \$37.5 million has been raised. In recognition of the success of fund-raising efforts and of the Institution's commitment to the project, a construction appropriation of \$36.5 million was passed in October 1982, and construction will commence early in 1983.

TABLE 9. *Construction and Plant Funds Fiscal Years 1980-1982*  
(In \$1,000's)

<i>Sources</i>	<i>FY 1980</i>	<i>FY 1981</i>	<i>FY 1982</i>
<b>FUNDS PROVIDED</b>			
<b>Federal Appropriations:</b>			
National Zoological Park .....	\$ 6,250	\$ 3,290	\$ 1,104
Restoration & Renovation of Buildings .....	5,250	7,539	7,680
Museum Support Center .....	20,600*	5,000	—
Quadrangle .....	—	—	960
Total Federal Appropriations .....	32,100	15,829	9,744
<b>Nonappropriated Trust Funds:</b>			
<b>Income—Gift and Other</b>			
Special Exhibits Gallery .....	—	307	1
Cooper-Hewitt Museum .....	104	175	31
American Art & Portrait Gallery Bldg. ....	—	—	183
Quadrangle .....	1,051	2,115	1,650
Smithsonian Institution Bldg. South Entrance	—	—	64
Bequest of Real Estate .....	—	—	225
Horticulture Greenhouse .....	—	11	—
Total Income .....	1,155	2,608	2,154
<b>Transfers from Current Funds:</b>			
Chesapeake Bay Center .....	39	300	—
Tropical Research Institute .....	—	26	—
Museum Support Center .....	—	750	—
National Museum of African Art .....	22	24	24
Quadrangle .....	1,040	1,340	1,040
East Garden .....	241	110	—
Total Transfers .....	1,342	2,550	1,064
Total Funds Provided .....	\$34,597	\$20,987	\$12,962

\*Obligation authority of \$19 million deferred until FY 1981 on instructions from Office of Management and Budget.

Other nonappropriated fund receipts included a gift for renovation of the south entrance to the Smithsonian Institution Building, a settlement for damages to the American Art and Portrait Gallery building that were done during Metro subway construction, a bequest of real estate which was subsequently transferred to the endowment funds, and interest paid on unexpended fund balances. Funds also were transferred for mortgage payments on property occupied by the National Museum of African Art.



TABLE 10. *Endowment and Similar Funds September 30, 1982*

	<i>Book value</i>	<i>Market value</i>
<b>ASSETS</b>		
<b>Pooled Consolidated Endowment Funds:</b>		
Cash and Equivalents .....	\$ 8,919,165	\$ 8,919,165
Bonds .....	13,341,192	14,451,431
Convertible Bonds .....	814,000	900,000
Stocks .....	59,806,844	64,587,546
Total Pooled Funds .....	<u>82,881,201</u>	<u>88,858,142</u>
<b>Nonpooled Endowment Funds:</b>		
Notes Receivable .....	100,020	100,020
Loan to U.S. Treasury in Perpetuity .....	1,000,000	1,000,000
Bonds .....	39,769	39,700
Common Stocks .....	1,999	8,100
Land .....	225,000	225,000
Total Nonpooled Funds .....	<u>1,366,788</u>	<u>1,372,820</u>
Total Endowment and Similar Fund Balances ....	<u>\$84,247,989</u>	<u>\$90,230,962</u>
<b>FUND BALANCES</b>		
Unrestricted Purpose: True Endowment .....	\$ 3,023,414	\$ 3,781,557
Quasi Endowment .....	32,742,990	33,378,487
Total Unrestricted Purpose .....	<u>35,766,404</u>	<u>37,160,044</u>
Restricted Purpose: True Endowment .....	36,319,845	40,129,316
Quasi Endowment .....	12,161,740	12,941,602
Total Restricted Purpose .....	<u>48,481,585</u>	<u>53,070,918</u>
Total Endowment and Similar Fund Balances ....	<u>\$84,247,989</u>	<u>\$90,230,962</u>

### *Endowment and Similar Funds*

The market value of Smithsonian Endowment Funds was \$90,231,000 on September 30, 1982, as compared to \$79,025,000 on September 30, 1981. The majority of these funds—\$88,858,000—is invested in the Pooled Consolidated Endowment fund under outside investment management; \$1 million is on permanent deposit with the United States Treasury; and the remaining \$373,000 is held in miscellaneous securities and donated real estate. Approximately 59 percent of the endowments, as shown in Table 10, are

TABLE 11. *Market Values of Pooled Consolidated Endowment Funds*  
(In \$1,000's)

<i>Fund</i>	9/30/78	9/30/79	9/30/80	9/30/81	9/30/82
Unrestricted .....	\$18,114	\$22,614	\$28,384	\$30,399	\$35,974
Freer .....	16,807	18,303	20,771	20,472	22,596
Other Restricted .....	22,109	24,639	28,175	27,101	30,288
Total .....	<u>\$57,030</u>	<u>\$65,556</u>	<u>\$77,330</u>	<u>\$77,972</u>	<u>\$88,858</u>

restricted, with income available only for purposes specified by the donor. The remaining 41 percent—or \$37,160,000—are unrestricted, with income available for general Institutional purposes; certain of these unrestricted funds, however, such as the Lindbergh Chair of Aerospace History, have been designated internally for specific purposes, as noted in Table 13, which lists all Smithsonian endowments.

Investment management of the Pooled Consolidated Endowment fund is conducted by three professional advisory firms under the oversight of the Investment Policy Committee and the Treasurer, and subject to guidelines established by the Board of Regents. As of the end of fiscal year 1982, the firms (with their respective portions of the fund) were Fiduciary Trust Company of New York (50 percent), Batterymarch Financial Management Corp. (31 percent), and Torray Clark & Company (19 percent). The total rate of return for the fund during fiscal year 1982, as calculated by an outside investment measurement service, was +15.7 percent (including interest and dividend income as well as market value appreciation), as compared to +12.1 percent for the Dow Jones Industrial Average and +9.9 percent for the Standard & Poor's 500 average (both calculated on the same basis). Table 11 displays the market values of the major components of the fund for prior years, and the activity during the past year is shown on Table 12.

The Smithsonian utilizes the Total Return Income policy, which defines total investment return as yield (interest and dividends) plus appreciation, including both realized and unrealized capital gains. A portion of this return is made available for expenditure each

TABLE 12. *Changes in Pooled Consolidated Endowment Funds  
for Fiscal Year 1982*  
(In \$1,000's)

<i>Fund</i>	<i>Market value 9/30/81</i>	<i>Gifts and trans- fers</i>	<i>Inter- est and divi- dends*</i>	<i>Income paid out</i>	<i>Sub- total</i>	<i>Market value appre- ciation</i>	<i>Market value 9/30/82</i>
Unrestricted . . . . .	\$30,399	\$ 2,172	\$ 2,083	\$ 1,158	\$33,496	\$ 2,478	\$35,974
Freer . . . . .	20,472	—	1,394	907	20,959	1,637	22,596
Other Restricted ..	27,101	355	1,862	1,210	28,108	2,180	30,288
Total . . . . .	<u>\$77,972</u>	<u>\$ 2,527</u>	<u>\$ 5,339</u>	<u>\$ 3,275</u>	<u>\$82,563</u>	<u>\$ 6,295</u>	<u>\$88,858</u>

\*Income earned, less managers' fees of \$367,138.

year, and the remainder is retained as principal. This total return income payout is determined in advance each year by the Board of Regents based on studies of anticipated interest and dividend yields, the Institution's programmatic needs, inflationary factors, and the five-year running average of market values, adjusted for capital additions or withdrawals. The income payout rate for fiscal year 1982 to restricted purpose endowments in the Pooled Consolidated Endowment fund constituted an 8 percent increase over the prior year, while the payout to unrestricted endowments was reduced from the earlier level, permitting a proportionately greater reinvestment for unrestricted endowments. After the income payout of \$3,275,000 during the year, a total of \$2,064,000 of excess interest and dividend yield was reinvested into endowment principal.

A full listing of all endowment funds is shown on Table 13. Detail of the securities held in the Pooled Consolidated Endowment fund as of September 30, 1982, may be obtained upon request from the Treasurer of the Institution.

TABLE 13. *Endowment Funds September 30, 1982*

Funds	Principal		Income	
	Book value	Market value	Net income	Unexpended balance
UNRESTRICTED PURPOSE—TRUE:				
Avery Fund* .....	\$ 97,414	\$ 125,194	\$ 4,583	\$ —0—
Higbee, Harry, Memorial .....	27,592	35,435	1,192	—0—
Hodgkins Fund* .....	194,654	87,394	9,900	—0—
Morrow, Dwight W. ....	163,348	333,971	7,334	—0—
Mussinan, Alfred .....	53,367	63,744	2,145	—0—
Olmsted, Helen A. ....	1,736	2,224	75	—0—
Poore, Lucy T. and George W.* .....	371,458	491,324	17,234	—0—
Porter, Henry Kirke, Memorial .....	604,525	804,886	27,081	—0—
Sanford, George H.* .....	2,980	3,599	150	—0—
Smithson, James* .....	541,380	541,380	32,483	—0—
Walcott, Charles D. and Mary Vaux, Research (Designated)* .....	964,960	1,292,406	51,899	79,394
Subtotal .....	3,023,414	3,781,557	154,076	79,394
UNRESTRICTED PURPOSE—QUASI:				
Forrest, Robert Lee .....	2,685,284	2,425,593	81,611	—0—
General Endowment* .....	27,264,305	28,172,242	885,490	—0—
Goddard, Robert H. ....	21,246	19,210	647	—0—
Habel, Dr. S.* .....	500	500	30	—0—
Hart, Gustavus E. ....	1,274	1,437	49	—0—
Henry, Caroline .....	3,159	3,545	119	—0—
Henry, Joseph and Harriet A. ....	127,408	141,805	4,771	—0—
Heys, Maude C. ....	256,292	236,023	7,941	—0—
Hinton, Carrie Susan .....	66,298	68,960	2,320	—0—
Lambert, Paula C. ....	118,616	126,670	4,262	—0—
Medinus, Grace L. ....	2,533	2,348	79	—0—
Rhees, William Jones* .....	1,822	1,964	82	—0—
Safford, Clara Louise .....	116,070	110,245	3,709	—0—
Smithsonian Bequest Fund* .....	514,021	521,367	7,914	—0—
Taggart, Ganson .....	1,030	1,343	45	—0—
Abbott, William L. (Designated) .....	307,133	341,253	13,693	—0—
Barstow, Frederic D. (Designated) .....	2,573	2,852	114	3,760
Lindbergh Chair of Aerospace History (Designated) .....	1,234,468	1,181,912	47,423	55,574
Lindbergh, Charles A. (Designated) .....	8,249	9,049	988	5,727
Lyon, Marcus Ward, Jr. (Designated) .....	10,709	10,169	408	1,323
Subtotal .....	32,742,990	33,378,487	1,061,695	66,384
Total Unrestricted Purpose .....	\$35,766,404	\$37,160,044	\$ 1,215,771	\$ 145,778
RESTRICTED PURPOSE—TRUE:				
Arthur, James .....	\$ 83,720	\$ 111,774	\$ 4,485	\$ 3,793
Baird, Spencer Fullerton .....	76,335	99,914	4,009	13,626
Barney, Alice Pike, Memorial .....	60,030	80,098	3,214	21,620
Batchelor, Emma E. ....	83,150	82,853	3,324	42,573
Beauregard, Catherine, Memorial .....	100,892	111,930	4,491	25,312
Brown, Roland W. ....	67,465	76,818	3,082	14,868
Canfield, Frederick A. ....	82,706	123,150	4,941	—0—
Casey, Thomas Lincoln .....	32,305	35,885	1,440	2,478
Chamberlain, Frances Lea .....	58,940	78,646	3,156	14,399
Cooper Fund for Paleobiology .....	34,482	35,485	1,321	2,103
Division of Mammals Curators Fund .....	4,520	4,813	192	3,536
Drake Foundation .....	416,067	429,245	17,120	58,375
Dykes, Charles, Bequest .....	110,937	123,186	4,943	30,213
Eickemeyer, Florence Brevoort .....	22,748	30,345	1,218	14,622
Freer, Charles L. ....	20,408,648	22,596,477	906,749	666,002
Grimm, Sergei N. ....	78,053	70,620	2,834	3,803
Guggenheim, Daniel and Florence .....	299,577	288,405	11,572	27,777
Hamilton, James* .....	3,357	3,710	199	666
Henderson, Edward P., Meteorite Fund .....	819	994	40	311
Hewitt, Eleanor G., Repair Fund .....	17,728	18,132	728	—0—
Hewitt, Sarah Cooper .....	104,884	107,029	4,294	—0—
Hillyer, Virgil .....	16,939	18,818	755	7,626
Hitchcock, Albert S. ....	3,314	4,478	180	561

TABLE 13. *Endowment Funds September 30, 1982—continued*

Funds	Principal		Income	
	Book value	Market value	Net income	Unexpended balance
Hodgkins Fund*	100,000	100,000	6,000	21,371
Hrdlicka, Ales and Marie	122,202	139,154	5,583	12,674
Hughes, Bruce	40,072	53,520	2,147	21,986
Johnson, Seward, Trust Fund for Oceanography	8,427,739	9,398,209	377,095	97,103
Kellogg, Remington, Memorial	62,125	57,964	2,326	6,813
Kramar, Nada	6,861	7,316	294	1,991
Lindsey, Jessie H.*	11,502	11,545	804	5,311
Maxwell, Mary E.	41,062	54,834	2,200	14,763
Milliken, H. Oothout, Memorial	523	533	21	—0—
Mineral Endowment	237,330	246,269	9,881	(175)
Mitchell, William A.	32,287	33,689	1,352	2,013
Natural History and Conservation	48,754	49,969	1,874	—0—
Nelson, Edward William	49,105	62,097	2,492	—0—
Petrocelli, Joseph, Memorial	15,531	20,800	835	18,737
Reid, Addison T.*	56,831	61,890	2,702	—0—
Roebing Fund	252,498	335,443	13,459	(549)
Rollins, Miriam and William	480,772	570,868	22,634	25,224
Shryock Endowment for Docents	1,637	1,605	64	158
Sims, George W.*	35,513	34,914	197	288
Sprague Fund	3,299,159	3,413,619	135,344	(2,329)
Springer, Frank	37,806	50,056	2,008	29,502
Stern, Harold P., Memorial	345,307	359,038	14,361	22,365
Stevenson, John A., Mycological Library	12,403	13,676	549	952
Walcott, Charles D. and Mary Vaux, Research..	309,242	357,074	14,127	24,023
Walcott Research Fund, Botanical Publications..	120,197	155,794	6,251	14,024
Williston, Samuel Wendell, Diptera Research ..	3,787	4,003	80	597
Zerbee, Frances Brinckle	1,984	2,632	106	3,477
Subtotal	36,319,845	40,129,316	1,609,073	1,274,583
RESTRICTED PURPOSE—QUASI:				
Armstrong, Edwin James	7,306	7,438	279	15
Au Panier Fleuri	51,126	46,317	1,858	—0—
Bacon, Virginia Purdy	229,001	232,468	9,328	28,791
Becker, George F.	394,028	402,359	16,144	(3,289)
Desautels, Paul E.	25,714	28,717	1,125	—0—
Gaver, Gordon	3,061	3,272	131	1,580
Hachenberg, George P. and Caroline	10,526	12,230	491	557
Hanson, Martin Gustav and Caroline R.	22,908	25,437	1,021	6,059
Hunterdon Endowment	7,499,981	8,187,287	332,990	220,018
International Council for Bird Preservation	211,131	209,528	6,666	7,062
Johnson, E. R. Fenimore	19,938	18,834	756	10,989
Loeb, Morris	225,533	252,278	10,122	19,169
Long, Annette E. and Edith C.	1,144	1,558	63	153
Myer, Catherine Walden	52,065	57,819	2,320	8,123
Noyes, Frank B.	2,529	2,914	117	1,625
Noyes, Pauline Riggs	24,073	21,825	876	1,915
Pell, Cornelia Livingston	19,145	21,345	856	820
Ramsey, Admiral and Mrs. Dewitt Clinton*	738,020	711,790	29,168	10,522
Rathbun, Richard, Memorial	27,456	30,583	1,227	20,753
Roebing Solar Research	62,652	65,755	2,638	9,382
Ruef, Bertha M.	77,744	73,395	2,945	11,988
Schultz, Leonard P.	19,979	22,123	888	12,242
Seidell, Atherton	1,564,818	1,589,646	63,783	204,516
Smithsonian Agency Account	513,685	519,192	19,928	—0—
Strong, Julia D.	25,806	28,739	1,153	3,089
Witherspoon, Thomas A., Memorial	332,371	368,753	14,796	—0—
Subtotal	12,161,740	12,941,602	521,669	576,079
Total Restricted Purpose	\$48,481,585	\$53,070,918	\$ 2,130,742	\$ 1,850,662
TOTAL ENDOWMENT FUNDS	\$84,247,989	\$90,230,962	\$ 3,346,513**	\$ 1,996,440

\*Invested all or in part in U.S. Treasury or other nonpooled investments.

\*\*Total Return Income payout; does not include \$238,436 of interest income for investment of unexpended income balances.

## *Related Organizations*

The Science Information Exchange, Inc., which has served as a national source for information on research in progress since its founding in 1949, ceased operation on October 31, 1981; a certificate of dissolution was granted in June 1982. Under a contract with the Department of Commerce, the Institution has continued during the past year to provide the Exchange with administrative and fiscal services necessary to closing out the operation, transferring the assets to the Department of Commerce, and paying the outstanding net liabilities. All operations are expected to be closed out by June 1983.

Reading is Fundamental, Inc., associated with the Institution since 1968, is an independent, separately incorporated entity dedicated to the improvement of reading abilities in children. Primary support is derived from private contributions and a federal contract with the Department of Education to operate the federal Inexpensive Book Distribution Program.

The Woodrow Wilson International Center for Scholars, the National Gallery of Art, and the John F. Kennedy Center for the Performing Arts were established by Congress within the Institution but are administered by separate boards of trustees. Independent financial reports are prepared by each of these organizations. Office space and fiscal and other administrative and support activities are provided the Woodrow Wilson International Center for Scholars on a reimbursement basis.

The Friends of the National Zoo (FONZ) is an independent, non-profit corporation working closely with the National Zoological Park. It operates, under contract, a number of beneficial concessions for the National Zoo; FONZ provided concession and rental fees to the Zoo amounting to approximately \$268,000 during calendar year 1981 (FONZ's fiscal year). In addition, FONZ contributed other important financial and volunteer support to Zoo programs. Financial affairs of this organization are described separately elsewhere in *Smithsonian Year 1982*.

## *Accounting and Auditing*

The nonappropriated trust funds of the Institution are audited annually by an independent public accounting firm. In order to provide a comprehensive audit of all Smithsonian funds, this independent verification has been extended in fiscal year 1982 to cover appropriated funds as well, and the report of Coopers & Lybrand is contained in the following pages. Additional reviews are conducted annually on a number of Smithsonian activities by the internal audit staff. Additionally, the Defense Contract Audit Agency conducts an annual audit of grants and contracts received from federal agencies, as well as their allocated administrative costs.

The Audit and Review Committee of the Regents met during the year pursuant to their responsibility, under the bylaws of the Institution, for reviewing the Smithsonian's accounting systems and internal financial controls; for facilitating communication between the Board of Regents and auditors from the internal audit staff, the independent accounting firm, and the General Accounting Office; and for reviewing operations of the Institution for compliance with approved programs and policies.

COOPERS & LYBRAND  
CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Regents  
Smithsonian Institution

We have examined the statement of financial condition of the Smithsonian Institution as of September 30, 1982 and the related statement of financial activity for the year then ended. Our examination was made in accordance with generally accepted auditing standards and with generally accepted governmental auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We previously examined and separately reported upon the statements of the trust funds and the statements of the federal appropriations of the Smithsonian Institution for the year ended September 30, 1981, combined totals of which are included in the accompanying financial statements for comparative purposes only.

In our opinion, the financial statements for the year ended September 30, 1982, referred to above, present fairly the financial position of the Smithsonian Institution as of September 30, 1982, and the results of operations and changes in fund balances for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

COOPERS & LYBRAND

1800 M Street, N.W.  
Washington, D.C. 20036  
December 14, 1982



# SMITHSONIAN INSTITUTION

## Statement of Financial Condition

September 30, 1982

with comparative totals for September 30, 1981

(thousands of dollars)

	Trust funds	Federal funds	Totals, all funds	Totals, 1981
<b>ASSETS:</b>				
Cash on hand and in banks (Note 3) . . . . .	\$ 2,632	\$ 46	\$ 2,678	\$ 900
Fund balance with U.S. Treasury (Note 4) . . . . .	407	38,080	38,487	32,473
Investments (Notes 5 and 6) . . . . .	109,551	—	109,551	103,234
Receivables (Note 7) . . . . .	21,751	51	21,802	20,321
Advance payments (Note 8) . . . . .	631	6,441	7,072	22,460
Merchandise inventory (Note 1) . . . . .	9,902	—	9,902	7,462
Materials and supplies inventory (Note 1) . . . . .	1,518	1,135	2,653	2,224
Amount to be provided for accrued annual leave . . . . .	—	6,163	6,163	5,847
Prepaid and deferred expense (Note 1) . . . . .	8,771	—	8,771	6,329
Property and equipment (Notes 1 and 9) . . . . .	18,430	179,617	198,047	177,633
	<u>\$173,593</u>	<u>\$231,533</u>	<u>\$405,126</u>	<u>\$378,883</u>
<b>LIABILITIES:</b>				
Accounts payable and accrued expenses, including interfund payable of \$9,427 (Note 7) . . . . .	\$ 17,944	\$ 7,795	\$ 25,739	\$ 21,137
Deposits held in custody for other organizations (Note 2) . . . . .	2,265	35	2,300	1,993
Accrued annual leave (Note 1) . . . . .	831	6,163	6,994	6,627
Deferred revenue (Note 1) . . . . .	20,061	—	20,061	16,713
Total liabilities . . . . .	<u>41,101</u>	<u>13,993</u>	<u>55,094</u>	<u>46,470</u>
UNDELIVERED ORDERS . . . . .	<u>—</u>	<u>30,929</u>	<u>30,929</u>	<u>39,458</u>
<b>FUND BALANCES (Note 1):</b>				
Current:				
Unrestricted general purpose . . . . .	5,048	—	5,048	5,043
Special purpose . . . . .	13,003	—	13,003	12,599
Restricted . . . . .	5,906	—	5,906	5,951
Endowment and similar funds (Note 6) . . . . .	84,248	—	84,248	75,458
Plant funds (Note 9) . . . . .	24,287	—	24,287	21,312
Total trust fund balances . . . . .	<u>132,492</u>	<u>—</u>	<u>132,492</u>	<u>120,363</u>
Operating funds . . . . .	<u>—</u>	<u>202</u>	<u>202</u>	<u>379</u>
Construction funds . . . . .	<u>—</u>	<u>5,657</u>	<u>5,657</u>	<u>9,007</u>
Capital funds . . . . .	<u>—</u>	<u>180,752</u>	<u>180,752</u>	<u>163,206</u>
Total federal fund balances . . . . .	<u>—</u>	<u>186,611</u>	<u>186,611</u>	<u>172,592</u>
Total all fund balances . . . . .	<u>132,492</u>	<u>186,611</u>	<u>319,103</u>	<u>292,955</u>
Total liabilities, undeliveredd orders and fund balances . . . . .	<u>\$173,593</u>	<u>\$231,533</u>	<u>\$405,126</u>	<u>\$378,883</u>

The accompanying notes are an integral part of the financial statements.

# SMITHSONIAN INSTITUTION

## Statement of Financial Activity

Year ended September 30, 1982

with comparative totals for the year ended September 30, 1981  
(thousands of dollars)

	TRUST FUNDS			
	<i>Total trust funds</i>	<i>Current funds</i>	<i>Endow- ment and similar funds</i>	<i>Plant funds</i>
Revenue and other additions:				
Appropriations .....	\$ —	\$ —	\$ —	\$ —
Auxiliary activities revenue .....	95,593	95,593	—	—
Federal grants and contracts .....	13,217	13,217	—	—
Investment income (net of \$367,000 for management and custodian fees) .....	9,635	8,586	—	1,049
Net gain on sale of securities .....	3,884	4	3,880	—
Gifts, bequests and foundation grants .....	6,205	5,234	44	927
Additions to plant (Note 9) .....	1,871	—	—	1,871
Rentals, fees, commissions and other .....	2,372	2,194	—	178
Total revenue and other additions .....	132,777	124,828	3,924	4,025
Expenditures and other deductions:				
Research and educational expenditures .....	23,521	23,521	—	—
Administrative expenditures .....	8,810	8,810	—	—
Facilities services expenditures .....	1,275	1,275	—	—
Auxiliary activities expenditures .....	85,153	85,153	—	—
Expenditures for acquisition of plant (Note 9) .....	1,865	—	—	1,865
Property use and retirements (Note 9) .....	—	—	—	—
Retirement of indebtedness .....	6	—	—	6
Interest on indebtedness .....	18	—	—	18
Endowment reimbursement (Note 6) .....	—	—	—	—
Total expenditures and other deductions .	120,648	118,759	—	1,889
Excess of revenue and other additions over (under) expenditures and other deductions (Note 11) .....	12,129	6,069	3,924	2,136
Transfers to government agencies .....	—	—	—	—
Transfers among funds—additions (deductions):				
Mandatory principal and interest on notes ....	—	(24)	—	24
Nonmandatory for designated purposes, net (Note 12) .....	—	(5,681)	4,866	815
Total transfers among funds .....	—	(5,705)	4,866	839
Net increase (decrease) for the year .....	12,129	364	8,790	2,975
Returned to U.S. Treasury .....	—	—	—	—
Fund balances at beginning of year .....	120,363	23,593	75,458	21,312
Fund balances at end of year .....	\$132,492	\$ 23,957	\$84,248	\$24,287

The accompanying notes are an integral part of the financial statements.

# FEDERAL FUNDS

<i>Total federal funds</i>	<i>Operat- ing funds</i>	<i>Construc- tion funds</i>	<i>Capital funds</i>	<i>Totals, all funds</i>	<i>Totals, 1981</i>
\$145,234	\$135,490	\$ 9,744	\$ —	\$145,234	\$141,957
—	—	—	—	95,593	87,052
—	—	—	—	13,217	14,172
—	—	—	—	9,635	8,156
—	—	—	—	3,884	8,053
—	—	—	—	6,205	6,477
31,025	—	—	31,025	32,896	24,921
122	122	—	—	2,494	2,649
176,381	135,612	9,744	31,025	309,158	293,437
87,940	87,940	—	—	111,461	104,449
9,661	9,661	—	—	18,471	17,116
38,063	38,063	—	—	39,338	36,510
—	—	—	—	85,153	72,709
13,094	—	13,094	—	14,959	8,513
13,479	—	—	13,479	13,479	15,097
—	—	—	—	6	6
—	—	—	—	18	18
—	—	—	—	—	976
162,237	135,664	13,094	13,479	282,885	255,394
14,144	(52)	(3,350)	17,546	26,273	38,043
—	—	—	—	—	(5,355)
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
14,144	(52)	(3,350)	17,546	26,273	32,688
(125)	(125)	—	—	(125)	(64)
172,592	379	9,007	163,206	292,955	260,331
\$186,611	\$ 202	\$ 5,657	\$180,752	\$319,103	\$292,955

# SMITHSONIAN INSTITUTION

## Notes to Financial Statements

### 1. *Summary of significant accounting policies*

*Basis of Presentation.* These financial statements do not include the accounts of the National Gallery of Art, the John F. Kennedy Center for the Performing Arts or the Woodrow Wilson International Center for Scholars, which were established by Congress within the Smithsonian Institution (Institution) but are administered under separate boards of trustees. (See Note 2.)

The accounts of the federal funds have been prepared on the obligation basis of accounting, which basis is in accordance with accounting principles prescribed by the Comptroller General of the United States as set forth in the Policy and Procedures Manual for Guidance of Federal Agencies. The obligation basis of accounting differs in some respects from generally accepted accounting principles. Under this basis of accounting, commitments, such as purchase orders and contracts, are recognized as expenditures, and the related obligations are reported on the balance sheet even though goods and services have not been received. Such commitments aggregate \$30,929,000 at September 30, 1982.

The trust funds reflect the receipt and expenditure of funds obtained from private sources, from federal grants and contracts and from certain business activities related to the operations of the Institution. The federal funds reflect the receipt and expenditures of funds obtained from Congressional appropriations.

*Fund accounting.* To ensure observance of limitations and restrictions placed on the use of resources available to the Institution, the accounts of the Institution are maintained in accordance with the principles of fund accounting. This is the procedure by which resources for various purposes are classified for funds control, accounting and reporting purposes into funds established according to their appropriation, nature and purposes. Separate accounts are maintained for each fund; however, in the accompanying financial statements, funds that have similar characteristics have been combined into fund groups. Accordingly, all financial transactions have been recorded and reported by fund group.

The assets, liabilities and fund balances of the Institution are reported in self-balancing fund groups as follows:

*Trust current funds,* which include unrestricted resources, represent the portion of expendable funds that is available for support of Institution operations. Amounts restricted by the donor for specific purposes are segregated from other current funds.

*Trust endowment and similar funds* include funds that are subject to restrictions of gift instruments requiring in perpetuity that the principal be invested and the income only be used. Also classified as endowment and similar funds are gifts which allow the expenditure of principal but only under certain specified conditions and quasi-endowment funds. Quasi-endowment funds are funds established by the governing board for the same purposes as endowment funds; however, any portion of such funds may be expended. Restricted quasi-endowment funds represent gifts for restricted purposes where there is no stipulation that the principal be maintained in perpetuity or for a period of time, but the governing board has elected to invest the principal and expend only the income for the purpose stipulated by the donor.

*Trust plant funds* represent resources restricted for future plant acquisitions and funds expended for plant.

*Federal operating funds* represent the portion of expendable funds that is available for support of Institution operations. Separate subfund groups are maintained for each appropriation—Salaries and Expenses appropriations, Special Foreign Currency appropriations, and Barro Colorado Island Trust Fund.

The balance of this fund represents amounts available for support of specific Institution operations including the Special Foreign Currency Program, Franklin Delano Roosevelt Appropriations, and Barro Colorado Island Trust Fund.

*Federal construction funds* represent the portion of expendable funds that is available for building and facility construction, restoration, renovation and repair. Separate subfund groups are maintained for each appropriation—Construction and Improvements, National Zoological Park, Restoration and Renovation of Buildings and Museum Support Center.

*Federal capital funds* represent the amount of the investment of the United States Government in the net assets of the Institution acquired with federal funds and nonexpendable property transfers from Government agencies.

*Investments.* All gains and losses arising from the sale, collection or other disposition of investments are accounted for in the fund in which the related assets are recorded. Income from investments is accounted for in a similar manner, except for income derived from investments of endowment and similar funds, which is accounted for in the fund to which it is restricted or, if unrestricted, as revenue in unrestricted current funds.

*Merchandise inventory.* Inventories are carried at the lower of cost or market. Cost is determined using the first-in, first-out (FIFO) method, or retail cost method (for those inventories held for resale).

*Materials and supplies inventory.* Inventories of materials and supplies are carried at the lower of cost or market. Cost is determined using the first-in, first-out (FIFO) method.

*Deferred revenue and expense.* Revenue from subscriptions to *Smithsonian Magazine* is recorded as income over the period of the related subscription,

which is one year. Costs related to obtaining subscriptions to *Smithsonian Magazine* are charged against income over the period of the subscription.

The Institution recognizes revenue and charges expenses of other auxiliary activities during the period in which the activity is conducted.

*Works of art, living or other specimens.* The Institution acquires its collections, which include works of art, library books, photographic archives, objects and specimens, through purchase or by donation of the items themselves. In accordance with policies generally followed by museums, no value is assigned to the collections on the statement of financial condition. Purchases for the collections are expensed currently.

*Property and equipment.* Capital improvements and equipment purchased with trust funds and utilized in income-producing activities are capitalized at cost and are depreciated on a straight-line basis over their estimated useful lives of three to ten years. All other capital improvements and equipment purchased with trust funds are expensed currently.

Real estate (land and buildings) purchased with trust funds is recorded at cost, to the extent that restricted or unrestricted funds were expended therefor, or appraised value at date of gift, except for gifts of certain islands in the Chesapeake Bay and the Carnegie Mansion, which have been recorded at nominal values. Depreciation on buildings purchased with trust funds is not recorded.

Buildings and other structures, additions to buildings and fixed equipment purchased with federal funds are recorded at cost and depreciated on a straight-line basis over a period of 30 years.

Certain lands occupied by the Smithsonian Institution's buildings were appropriated and reserved by the Congress for that purpose and are not reflected in the accompanying financial statements. Property and nonexpendable equipment acquired through transfer from Government agencies are capitalized at the transfer price or at estimated amounts taking into consideration their usefulness, condition and market value. Nonexpendable equipment purchased with federal funds is recorded at cost depreciated on a straight-line basis over a period of 10 years.

*Government contracts.* The Institution has a number of contracts with the U.S. Government, which primarily provide for cost reimbursement to the Institution. Contract revenue is recognized when billable or received in the trust funds.

*Contributed services.* A substantial number of unpaid volunteers have made significant contributions of their time in the furtherance of the Institution's programs. The value of this contributed time is not reflected in these statements since it is not susceptible to objective measurement or valuation.

*Annual leave unfunded.* The Institution's civil service employees earn annual leave in accordance with federal law and regulations. However, only the cost of leave taken as salaries is funded and recorded as an expense. The cost of unused annual leave at year-end is reflected in the accompanying financial statements as an asset and accrued liability in the federal funds.

2. *Related activities*

The Institution provides fiscal and administrative services to several separately incorporated organizations in which certain officials of the Institution serve on the governing boards. The amounts paid to the Institution by these organizations for the aforementioned services, together with rent for Institution facilities occupied, etc. totaled approximately \$323,000 for the year ended September 30, 1982. The following summarizes the approximate expenditures of these organizations for the fiscal year ended September 30, 1982 as reflected in their individual financial statements and which are not included in the accompanying financial statements of the Institution:

	(\$000s)
Smithsonian Science Information Exchange .....	\$1,900
Reading Is Fundamental, Inc. ....	\$7,500
Woodrow Wilson International Center for Scholars—trust funds ...	\$3,000
Woodrow Wilson International Center for Scholars— federal appropriations .....	\$1,897

The Smithsonian Science Information Exchange ceased operations as of October 31, 1981. The U.S. Department of Commerce provided a grant to close down operations and to perfect an orderly liquidation, which is continuing with final close-out projected in fiscal year 1983.

3. *Cash on hand—federal funds*

This represents deposits in transit and the amount of imprest fund cash advanced by the U.S. Treasury to imprest fund cashiers for small purchasing purposes.

4. *Fund balance with U.S. Treasury*

The account represents fund balances on the books of the U.S. Treasury available for disbursement.

5. *Investments*

Investments are recorded at cost, if purchased, or fair market value at date of acquisition, if acquired by gift. At September 30, 1982, investments are composed of the following:

	<i>Carrying value (\$000s)</i>	<i>Market value (\$000s)</i>
Current funds:		
Certificates of deposit .....	\$ 11,977	\$ 11,977
Commercial paper .....	1,974	1,974
U.S. Government and quasi-Government obligations ..	12,330	12,515
Common stock .....	145	138
Preferred stock .....	56	48
	<hr/> 26,482	<hr/> 26,652

Endowment and similar funds:

Money market account .....	8,066	8,066
Loan to U.S. Treasury .....	1,000	1,000
U.S. Government and quasi-Government obligations ..	10,711	11,641
Corporate bonds .....	3,484	3,750
Common stock .....	59,256	64,130
Preferred stock .....	552	465
	<u>83,069</u>	<u>89,052</u>
	<u>\$109,551</u>	<u>\$115,704</u>

Substantially all the investments of the endowment and similar funds are pooled on a market value basis (consolidated fund) with each individual fund subscribing to or disposing of units on the basis of the value per unit at market value at the beginning of the month within which the transaction takes place. Of the total units, each having a market value of \$148.04, 290,802 units were owned by endowment, and 309,427 units were owned by quasi-endowment at September 30, 1982.

The following tabulation summarizes changes in relationships between cost and market values of the pooled investments:

	(\$000s)			Market value per unit
	Market	Cost	Net change	
End of year .....	\$88,858	\$82,881	\$5,977	\$148.04
Beginning of year .....	\$77,972	\$74,411	3,561	134.12
Increase in unrealized net gain for the year .....			2,416	
Realized net gain for the year .....			3,880	
Total realized and unrealized net gain for the year .....			\$6,296	\$ 13.92

6. *Endowment and similar funds*

Endowment and similar funds at September 30, 1982 are summarized as follows:

	(\$000s)
Endowment funds, income available for:	
Restricted purposes .....	\$36,320
Unrestricted purposes .....	3,023
	<u>39,343</u>
Quasi-endowment funds, principal and income available for:	
Restricted purposes .....	12,162
Unrestricted purposes .....	32,743
	<u>44,905</u>
Total endowment and similar funds .....	<u>\$84,248</u>



The Institution utilizes the "total return" approach to investment management of endowment funds and quasi-endowment funds. Under this approach, the total investment return is considered to include realized and unrealized gains and losses in addition to interest and dividends. An amount equal to the difference between interest and dividends earned during the year and the amount computed under the total return formula is transferred to or from the current funds.

In applying this approach, it is the Institution's policy to provide, as being available for current expenditures, an amount taking into consideration such factors as, but not limited to: (1) 4<sup>1</sup>/<sub>2</sub>% of the five-year average of the market value of each fund (adjusted for gifts and transfers during this period), (2) current dividends and interest yield, (3) support needs for bureaus and scientists and (4) inflationary factors as measured by the Consumer Price Index; however, where the market value of the assets of any endowment fund is less than 110% of the historic dollar value (value of gifts at date of donation), the amount provided is limited to only interest and dividends received. The total return factor for 1982 was \$5.94 per unit to the Restricted and Designated Purpose Endowment Funds and \$5.00 per unit to the Unrestricted General Purpose Endowment Funds; new units were purchased for the Unrestricted Endowment Funds with the \$.94, the difference in the total return factor. The total return applied for 1982 was \$2,230,000 to the Restricted and Designated Purpose Endowment Funds and \$1,046,000 to the Unrestricted General Purpose Endowment Funds.

Endowment reimbursement represents payment of income, which had accumulated in principal of the endowment funds, in accordance with a settlement related to a lawsuit.

7. *Receivables*

Receivables at September 30, 1982 included the following:

<i>Trust funds</i>	<i>(\$000s)</i>
Accounts receivable, auxiliary activities; net of allowance for doubtful accounts of \$962,000 in 1982 .....	\$ 9,148
Interfund receivables due from current funds:	
Endowment and similar funds .....	812
Plant funds .....	8,615
Interest and dividends receivable .....	2,181
Unbilled costs and fees from grants and contracts .....	892
Other .....	103
	<hr/> 21,751
<i>Federal funds</i>	
Service fees and charges .....	51
Total, all funds .....	<hr/> \$21,802 <hr/>

8. *Advance payments*

Advance payments represent advances made to Government agencies, educational institutions, firms and individuals for services to be rendered or property or materials to be furnished.

As of September 30, 1982, the Institution has advances outstanding to the U.S. Government of approximately \$4,084,000, principally for construction services to be received in the future. The Institution at that date also had advances outstanding to educational institutions amounting to approximately \$2,150,000, principally under the Special Foreign Currency Program.

#### 9. *Property and equipment*

At September 30, 1982, property and equipment which has been capitalized (see Note 1) is comprised of the following:

<i>Current funds</i>	<i>(\$000s)</i>
Capital improvements .....	\$ 1,949
Equipment .....	2,146
Leasehold improvements .....	247
Less accumulated depreciation and amortization .....	2,026
	<u>2,316</u>
<i>Endowment and similar funds</i>	
Land and buildings .....	225
<i>Plant funds</i>	
Land and buildings .....	<u>15,889</u>
Total, trust funds .....	\$ 18,430
<i>Capital funds</i>	
Property .....	236,621
Equipment .....	26,991
Less accumulated depreciation .....	<u>83,995</u>
	<u>179,617</u>
	<u><u>\$198,047</u></u>

Depreciation and amortization expense reflected in expenditures of the current funds for 1982 was \$495,000. Depreciation expense reflected in expenditures of the capital funds of 1982 was \$9,619,000.

The balance of the plant fund at September 30, 1982 includes \$8,568,000 of unexpended plant funds.

#### 10. *Pension plan*

The Institution has separate retirement plans for trust and federal employees. Under the trust fund's plan, both the Institution and employees contribute stipulated percentages of salary which are used to purchase individual annuities, the rights to which are immediately vested with the employees. The cost of the plan for the year ended September 30, 1982 was \$2,771,000. It is the policy of the Institution to fund plan costs accrued currently. There are no unfunded prior service costs under the plan.

The federal employees of the Institution are covered by the Civil Service Retirement Program. Under this program, the Institution withholds from the gross pay of each federal employee and remits to the Civil Service Retirement and Disability Fund (Fund) the amounts specified by such program.

The Institution contributes 7% of basic annual salary to the Fund. The cost of the plan for the year ended September 30, 1982 was approximately \$5,200,000.

11. *Excess of expenditures and other deductions*

The net excess of expenditures and other deductions over revenue and other additions disclosed for federal operating and construction funds in the Statement of Activity for the year ended September 30, 1982 arise because certain multiyear appropriations, having been recorded as income in prior years and carried forward as fund balance, were expended during the year.

12. *Nonmandatory transfers for designated purposes*

The following transfers among trust funds were made for the year ended September 30, 1982 in thousands of dollars:

	<i>Current funds</i>		<i>Endowment and</i>	
	<i>Unre- stricted</i>	<i>Re- stricted</i>	<i>similar funds</i>	<i>Plant funds</i>
Portion of investment yield				
appropriated (Note 5) .....	\$ (925)	\$ (1,139)	\$2,064	\$ —
Purchase of property and equipment				
for plant fund .....	(83)	—	—	83
Future plant acquisitions .....	(917)	—	—	917
Income added to endowment principal	—	(118)	118	—
Appropriated as quasi-endowment ...	(2,259)	(200)	2,684	(225)
Other designated purposes .....	(281)	241	—	40
Total .....	<u>\$ (4,465)</u>	<u>\$ (1,216)</u>	<u>\$4,866</u>	<u>\$ 815</u>

13. *Income taxes*

The Institution is exempt from income taxation under the provisions of Section 501(c)(3) of the Internal Revenue Code. Organizations described in that section are taxable only on their unrelated business income. The Internal Revenue Service has issued a Technical Advice Memorandum to the Institution indicating that income derived from sales of certain items in the Museum Shops may constitute unrelated business taxable income. The application of this memorandum is under discussion with the Internal Revenue Service.

It is the opinion of the Institution that it is also exempt from taxation as an instrumentality of the United States as defined in Section 501(c)(1) of the Code. Organizations described in that section are exempt from all income taxation. The Institution has not as yet formally sought such dual status but intends to do so in the near future.

Management believes that any income taxes required as a result of settlement of these matters would not have a material effect upon the financial position of the Institution.









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